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Income tax cut by £3.5bn ● VAT goes up to 15% ● MLR increased to 14%

Howe presents his 'opportunity Budget'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A MAJOR SHIFT from taxes on income to taxes on spending, and sweeping cuts in public expenditure, formed the centrepiece yesterday of what Sir Geoffrey Howe, the Chancellor of the Exchequer, called an "opportunity Budget," aimed at widening choice and improving incentives.

The economic outlook over the next year, however, remains extremely gloomy. The Treasury forecasts accompanying Sir Geoffrey's speech project a slight fall in both consumer demand and total output during the next 12 months.

The rate of price inflation is expected to accelerate significantly for the rest of this year, while the current account of the balance of payments will be neither in surplus nor deficit until mid-1980.

The central theme of Sir Geoffrey's approach was that the performance of the British economy over the last generation was not due to shortage of demand but reflected a "growing series of failures on the supply side of the economy."

Consequently a change in the approach of Government was necessary, based on four principles:

● Strengthening financial incentives by allowing people to keep more of what they earned.

● Enlarging freedom of choice by reducing the role of the state and enlarging that of the individual.

● Reducing the burden of financing the public sector to a level leaving room for commerce and industry to prosper.

● Ensuring that those who took part in collective bargaining understood the consequences of their actions, in order to promote a proper "sense of responsibility."

The tax changes proposed yesterday are intended to be only the first step in securing a "substantial change in the way in which our economy is allowed to work." The Budget fulfils several Conservative election manifesto commitments, including the beginnings of a relaxation of outward exchange controls.

The basic arithmetic is that income tax is to be reduced by £3.5bn in the current financial year, with cuts throughout the range.

The absolute benefits will be largest for those on highest incomes, though at the bottom end of the scale some 1.3m people will not now have to pay tax who would have been liable if allowances had remained at last year's levels.

These cuts in income tax and a reduction in public-sector borrowing will be financed via a £2.5bn rise in indirect taxes, a £2.5bn reduction in public expenditure, and the £1bn proceeds from sale of public-sector assets.

Sir Geoffrey has taken an obvious risk in such a major switch from direct to indirect taxes at once. The rise in value-added tax from the present rates of 8 and 12½ per cent to 15 per cent will increase the retail prices index by about 3½ per cent.

The Budget measures as a whole will add about 4 per cent to the prices index by the late summer, when the 12-month rate of increase is expected to be 16 per cent, compared with just over 10 per cent now. The rate is projected to decline to 13½ per cent by the late summer of 1980.

WHAT THE INCOME TAX CHANGES MEAN

Earnings £	Old tax £	New tax £	Tax cut £
SINGLE PEOPLE			
5,000	1,265	1,113	152
10,000	2,987	2,613	374
15,000	5,664	4,588	1,076
MARRIED COUPLES (no children)			
5,000	1,083	918	165
10,000	2,766	2,418	348
15,000	5,334	4,296	1,038

Sir Geoffrey emphasised that the net effect of these changes in direct and indirect taxes and rises in social security benefits would mean that people would be better-off than before.

He said that for a married couple where the husband earned close to national average earnings of £100 a week, there would be a net gain of £1.31 a week.

For families earning £60 a week the gain would be 77p, and for those receiving £150 the net benefit would be £1.96. These gains are in effect being financed by cuts in public expenditure and services.

Sir Geoffrey stressed that these changes marked only the first stage in a major reduction in the burden of direct taxation. He highlighted this point particularly for those "who will be involved in pay bargaining in the year ahead."

He warned that any further attempts to cover the price effects of higher-spending taxes by higher pay claims would be "utterly self-defeating."

He said that until inflation was controlled "some check to the growth of output and employment is unavoidable."

The Treasury is, however, not very optimistic about the pay prospects. After an increase in average earnings of roughly 14 per cent in the last wage round, private-sector pay is expected to rise from the autumn onward

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BUDGET SUMMARY

Standard rate cut to 30p

ICOME TAX. Basic rate down from 33p 30p in the £, with equivalent cut in dvanced Corporation Tax. All personal lowances raised: married (and single ırent) up £280 to £1,815, single (and earng wives) up £180 to £1,165. Age allowance r people over 65: married up £380 to ,455, *single up £340 to £1,540. Qualifying* come ceiling up £1,000 to £5,000. New resholds will take 1.3m out of tax.

IGHER RATES. Threshold for 40 per cent te up from £8,000 to £10,000 (taxable come). *Top rate down from 83 to 60 per* nt, payable at taxable income of £25,000. tween £10,000 and £25,000 new scale of es less steeply progressive than before.

VESTMENT INCOME SURCHARGE. ne payable below single new threshold— 000 of investment income.

AX RELIEF ON LOANS. Transitional lief on loans taken out before March 26. 74 (on second homes) to be extended up April 5, 1982 (instead of 1980). Government to consider rules on interest tax relief, rticularly for investment in small companies. All income tax changes backdated April 6. Cost in 1979-80 £3.5bn; full ar £4½bn.

AT raised to unified level of 15 per cent m next Monday from present rates of 8 d 12½ per cent. This will push up Retail ice Index by 3½ per cent for an extra bn revenue in 1979/80 and £4.2bn in a ll year. Result: 28p on bottle of spirits, on pint of beer, 6p on 20 cigarettes.

Dearer petrol

TROL and derv duty raised by 7p a *llon and heavy oil other than derv by ½p* yield of £400m in 1979-80 and £525m in ll year. With VAT increase, private otorists will pay 10p a gallon more for trol.

EHICLE EXCISE DUTY *on lorries to be* structured. Labour's plan to abolish duty cars and switch tax to petrol to be viewed.

INIMUM LENDING RATE raised from to 14 per cent.

ANK LENDING—Official corset controls ntinued for further three months to mid-cember.

OTAL OUTPUT forecast to fall slightly er next year and trading current account be in rough balance.

ONEY SUPPLY—Target range for growth sterling (M3) reduced from annual rate 8-12 per cent to 7-11 per cent in 10 onths to April, 1980. Target to be rolled rward by six months next October.

UBLIC SECTOR BORROWING requirement cut to £8¼bn or 4½ per cent of GDP current financial year, compared with ¼bn and 5½ per cent last year.

IVIDEND CONTROL to end when existing gislation expires on July 31.

EVELOPMENT LAND TAX cut from esterday to single rate of 60 per cent from revious rates of 66⅔ and 80 per cent. hreshold raised from £10,000 to £50,000.

APITAL TRANSFER TAX on discreonary trusts deferred from April 1980 to pril 1982.

ETROL REVENUE TAX rate raised from 5 to 60 per cent from last January. British ational Oil Corporation no longer xempted.

MALL COMPANIES' profit threshold for 2 per cent rate of corporation tax raised £60,000 (£50,000). *Upper limit, where* 2 per cent rate applies, raised to £100,000. £85,000).

LEASED CARS excluded from 100 per cent capital allowances provisions.

STOCK RELIEF undertakings of previous administration honoured. Two years of deferred tax liabilities written off and profit restrictions for unincorporated businesses eased.

CASH LIMITS on departments and fringe bodies set to ensure economies of 3 per cent on manpower costs this year. Will reduce planned expenditure by about £1bn. In addition, specific reductions being made by Government departments and nationalised industries.

PUBLIC EXPENDITURE cuts amount to almost £1.5bn this year. Includes cut of £210m in industrial support. Support from employment programmes to be concentrated on areas of highest unemployment, saving £170m. Savings of over £320m in finance for BNOC and electricity, gas and coal industries. Environment Department saves £440m, mainly by scrapping Community Land Act, deferring water authority investment and reducing allocations to housing authorities.

RATE SUPPORT grant cut by £300m for England and Wales and £35m for Scotland out of total grant of £9bn. Cuts may be larger depending on future pay settlements.

EDUCATION SPENDING cut by £55m in areas where Government has direct control. Overseas aid reduced by £50m and savings on transport, trade and arts programmes.

DEFENCE—Extra £100m spending this year.

CONTINGENCY RESERVE for 1979-80 cut by £250m from level in Labour Government's White Paper.

STATE-OWNED ASSETS—Sales this year to amount to £1bn. Biggest slice comes from disposal of further part of Government shareholding in BP.

RETIREMENT PENSIONS: Standard rate to go up in November by £6.10 to £37.30 for married couple and by £3.80 to £23.30 for single person. Other benefits to rise (details today). Statutory uprating of pensions to be *based on price movements,* instead of prices or earnings, whichever greater. Pensioners to get £10 Christmas bonus. Single parents' child benefit premium up from £2 to £2.50 in November. Mobility allowance for disabled up from £10 to £12 in autumn. *Overall cost of* these measures about £1.1bn in 1979-80 and £2.7bn in a full year.

WAR WIDOWS' pensions exempt from income tax, as from April 6, 1979.

Health charges up

PRESCRIPTION CHARGES increased by 25p to 45p. Some dental charges to rise. Increases will yield £34m in current year.

EXCHANGE CONTROL regulations relaxed from today. Up to £5m per project per year now freely available for new outward direct investment. Two-thirds rule restricting re-investment of profits earned overseas to be abolished. Relaxations in travel and emigration allowances, purchase of overseas property and cash gifts and payments to dependants.

OVERSEAS PORTFOLIOS—Requirement to maintain 115 per cent cover for those financed by foreign currency borrowing to be abolished. Official exchange available for interest payments on such borrowing.

THIRD COUNTRY TRADE—Use of sterling *for finance, stopped by Labour Government* in 1976, to be restored as soon as details can be worked out.

Many MPs see it as big gamble

BY RICHARD EVANS, LOBBY EDITOR

SIR GEOFFREY HOWE'S first Budget, which will undoubtedly set the guidelines for the major political conflicts of this Parliament, was seen by both Conservative and Labour MPs as *an immense gamble.*

Tory backbenchers greeted the Chancellor with great enthusiasm at a private meeting of the 1922 Committee shortly after his Commons statement. But *many* privately admitted he had gone much further than they had expected, and they were by no means certain that the tactic would succeed.

The Labour reaction was one of scornful disbelief that Ministers could possibly expect the policy to succeed. They were convinced that the sharp increase in the retail price index before the autumn wage round would make conflict and industrial strife inevitable.

But Sir Geoffrey, launching the first Tory Budget for six years, got full marks for courage. His determination to launch a fresh economic strategy based on greater incentives and less Government intervention drew gasps from MPs as he announced key aspects of the budget.

It was accepted that he had been politically realistic in *launching a change in direction* early in a new Parliament, before problems hemmed in the Government and the Opposition recovered its morale and confidence.

Mr. James Callaghan gave the Opposition's first reaction to the Budget. He described it as "a reckless gamble" with Britain's economic future, and claimed it was blatantly unfair in its distribution of reliefs.

He signalled that the main Opposition attack would be launched against the decision to give so much tax relief to high income earners, and on the significant impact the measures would have on the cost of living.

He declared bluntly that he had absolutely no confidence that the keystone of Sir Geoffrey's Budget—the cuts in direct taxation—would achieve what had been predicted.

"If the Government believed the lacklustre performance of British industry could be overcome with a 3p reduction in income tax, then they are living in a world of wonderland," he *declared.*

This was a universal reaction among Labour MPs, who were convinced that trade union negotiators would have no alternative but to put in wage claims to match the 16 per cent inflation rate predicted for the autumn.

In Mr. Callaghan's view, the small relief in the Budget for low income earners would have "dire industrial consequences."

"It is upon these people and on their claims that the whole of the income tax structure falls, and trade union negotiators will base their claims on this," he said.

Both Mr. Callaghan and Mr. Denis Healey, the former Chancellor, saw a strong resemblance between yesterday's Budget and the first Tory

Continued on Back Page

Union leaders warn of high pay claims

BY CHRISTIAN TYLER, LABOUR EDITOR

A WINTER of high pay claims was unanimously forecast by trade union leaders last night as they looked at the cost of the Budget in terms of prices in the shops.

It was the fiercest union reaction to a Budget for many years, spelling trouble for employers in the next wage round and the start of a TUC-led campaign against the Government's economic policies.

There were calls for political and industrial mobilisation against what the unions described as an attack on living standards, social services and jobs. What form the campaign might take could emerge today when the TUC economic committee meets to review the Budget.

The Chancellor was accused of over-estimating the offsetting effect of his tax cuts on workers' wage expectations. Few union leaders would quantify the coming claims, but predicted that negotiators would at the very least, seek to keep pace with an inflation rate which now looked like rising to 16 per cent or more by the end of the year.

The Chancellor's warning that attempts to retrieve the price effect of his increase in VAT would be self-defeating and would only increase unemployment went largely ignored.

Mr. David Basnett, general secretary of the General and Municipal Workers Union, said unions would respond both politically and industrially to a Budget which was "a direct attack on the quality of life in Britain." They would renew their campaign for the defence of public services and would defend members' living standards and jobs.

The Government was taking a "reckless gamble" with the economy, he added.

Millions of trade unionists would be struggling to make ends meet by the end of the year because of the "massive" increase in VAT on top of already rising prices, and the possibility of inflation of between 16 and 20 per cent.

Employment would be hit in the private as well as the public sector. The evidence of previous tax-cutting Budgets was that they did little or nothing to offset wage expectations, Mr. Basnett said.

Mr. Moss Evans of the Transport and General Workers' Union would not put a figure on wage expectations, but *warned that the rise in VAT,* which he described as a "shocker," and in mortgage rates would worry working people.

Many millions of workers

Continued on Back Page

Banks predict dearer loans

BY MICHAEL LAFFERTY

A SHARP increase in the cost of overdrafts was being predicted by clearing bankers last night following the 2 per cent rise in Minimum Lending Rate to 14 per cent. The Chancellor's decision also increases pressure on the building societies, but no decision about putting up mortgage rates is expected until *the societies meet again on July* 13.

The clearers will wait to see how interest rates behave in the inter-bank market this morning before acting. But a move to increase base rates by a minimum of 1½ per cent seems likely by tomorrow.

This would increase the cost of overdrafts for personal cus*tomers to between 18½ and 18¾* per cent—or more if the base rate is increased further. Commensurate rises in bank deposit rates are also to be expected. At present three of the main four clearers pay 9½ per cent for deposits, while Lloyds pays 9 per cent.

MLR last hit 14 per cent for three weeks up to March 1 this year, when it dropped to 13 per cent. A further 1 per cent drop was announced on April 5.

The Building Societies Association said that the 2 per cent MLR rise would simply make it more difficult for the societies to raise the funds they need for home buyers. "There are already mortgage queues at branch offices."

Building societies have been getting a steady flow of funds *over recent months, and the* May figure amounted to £209m. If there is to be an increase in the mortgage rate, the likelihood is of a move to a record 13 per cent.

Stewart Fleming in New York writes: Responding to falling U.S. interest rates and signs that the economy may be weakening more quickly than many economists had expected Morgan Guaranty Trust, the fifth largest U.S. bank, yesterday cut its prime rate from 11¾ per cent to 11½ per cent.

$ in New York

—	June 12	Previous
Spot	$2.1000-1010	$2.0705-0715
1 month	0.65-0.55 dis	0.15-0.10 dis
3 months	1.65-1.45 dis	0.77-0.72 dis
12 months	5.05-4.85 dis	3.00-2.90 dis

IEF PRICE CHANGES YESTERDAY

(…es in pence unless otherwise indicated)

RISES

…	217	+ 5
…n & Jackson	235	− 18
…ell & Hallamshire	393	+ 11
…llers	223	+ 8
…d. Metropolitan	142	+ 4
…ds Bank	338	+ 16
…West	370	+ 18
Travis & Arnold	227	+ 10
Triefus	165	+ 8
Shell Transport	370	+ 6

FALLS

British Land	70	− 4
Crosby Spring	30	− 4
Empire Stores	236	− 16
Grattan Warehouses	126	− 8
GUS A	358	− 12
MEPC	164	− 4
Marks & Spencer	113	− 4
Mining Supplies	95	− 7
BP	1194	− 28
Cons. Gold Fields	259	− 5
Durban Deep	549	− 20
East Rand Prop.	520	− 37
Grootvlei	175	− 10

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EUROPEAN NEWS

TURKEY'S 43 PER CENT DEVALUATION

Lack of anti-inflation policy attacked

BY METIN MUNIR IN ANKARA

THE LACK OF comprehensive anti-inflationary measures in the latest stage of the Turkish stabilisation programme has given rise to doubts among economic observers here about the success of the latest 43 per cent Turkish devaluation.

The devaluation was made under sustained Western pressure. It is expected to open the way to aid and credits from Western states and banks, totalling $1.75bn this year.

At the same time, while Mr. Bulent Ecevit, the Turkish Prime Minister, said yesterday that a new stand-by agreement with the International Monetary Fund and a letter of intent are close to completion, he was unable to give details about any credit ceiling and limits to be set for the public sector deficit — two probable ingredients of any austerity package to be agreed with the IMF.

For the import of crude and fertiliser, and the export of traditional agricultural commodities, a different parity of TL35 to the dollar will apply.

Yesterday the prices of regular and super-grade petrol went up by 29 and 25 per cent respectively to TL22 and TL25 per litre. This was the second price increase this year. Prices of other petrol products are unchanged.

Wine, beer and spirits, which are under state monopoly, increased in price by between 30 per cent and 64 per cent, again for the second time this year.

Price increases, probably of about 30 per cent, for iron and steel products are expected to be announced shortly. Furthermore, the Government has maintained the system of export rebates in order to help boost exports of manufactured products.

Mr. Ecevit yesterday defended the moves, which are bound to be extremely unpopular. However, he could not make a convincing defence of his 17-month-old administration's fight against inflation, estimated to be running at 70 per cent.

Mr. Ecevit believes the inflow of programme credits will increase manufacturing capacity, thereby bringing about a demand - supply equilibrium which will curb inflation. Anticipated increases in savings and revenue from the series of price increases, he argues, will curb money supply. However, he has no specific wage or price policy, neither has he said whether a limit has been imposed on central bank borrowing.

In the absence of tight money control, and price and wage restraint, it is difficult to see how inflation can be curbed, particularly in view of the recent devaluation and price increases.

Wages in the private sector have been going up by an average of more than 100 per cent.

Mr. Ziya Muezzinoglu, the Minister of Finance, was scheduled to fly to Paris last night, where he is expected to hand a letter of intent to the IMF. Talks have been in progress in Paris for the past fortnight between the Turkish Government and Fund on a new standby agreement, which is understood to be near completion.

Mr. Suleyman Demirel, the former Prime Minister, accused Mr. Ecevit of "turning the Turkish lira into a rag" by repeated devaluations.

Mr. Demirel, chairman of the main opposition Justice Party, is preparing a series of censure motions to overthrow the Government before Parliament recesses for four months on July 3.

Gunaydin, the mass-circulation daily, yesterday started a new colum inviting its readers to write and explain: "Why are we sulky, and our heads bowed?"

Move to name new PM for Luxembourg

LUXEMBOURG—Grand Duke Jean of Luxembourg was yesterday asked to name a Social Christian, M. Pierre Werner, Prime Minister-designate following Sunday's general election.

Mr. Jacques Werner, the Social Christian president, put the request when he went to the ducal palace with presidents of the other parties to discuss formation of a new government.

The Social Christians won 24 seats to become the largest party in the 59-seat Parliament. But M. Werner may not find it that easy to form a new government as the former coalition of Liberals and Socialists together hold 29 seats.
Reuter

Italy turns to Cabinet-making

BY RUPERT CORNWELL IN ROME

WITH NATIONAL and European elections behind them, Italy's political parties have begun the arduous process of working out a ruling formula to govern the country after the new Parliament assembles a week today.

So far there have been no indications of any consensus and the bargaining will be complicated by the desire of the smaller parties to extract maximum advantage from their improved performance in both polls, at the expense of the Christian Democrats and Communists.

Leaders of the two largest parties are due to meet today. But, already, the Social Democrats, a partner in the caretaker administration of Sig. Giulio Andreotti, have served notice that they will be increasing their demands. The Republicans have come out against a suggestion that the minority administration should be permitted to stay in office on a temporary basis until after the Christian Democrat congress, due in the autumn.

The Social Democrats appealed last night to the Republicans, Socialists and Liberals, to work with them to gain as much leverage as possible from their combined 18.5 per cent vote in the general election.

The prospects of such co-operation and, indeed, of a new Government depend on the Socialists. Sig. Bettino Craxi, the Socialist Party secretary, is at present, giving no clue of his intentions, insisting that the first move must come from the Communists and Christian Democrats.

Sig Craxi is obliged to take into account the divisions within his own party, a vociferous wing of which wants to move in tandem with the Communists. For that reason, he is likely to wait until the Communists have declared that they will go into opposition, before seeking an accommodation with the Christian Democrats.

The main unions are expected today to confirm plans for a four-hour general strike next Tuesday in protest at the slow progress of wage-contract negotiations

Nuclear embargo worries Swiss

By Brij Khindaria in Geneva

THE CANADIAN embargo on natural uranium supplies to Swiss nuclear power plants is *threatening electricity supplies*, says the Swiss Government.

Since 1977, Canada has embargoed uranium supplies to some countries pending renegotiation of nuclear co-operation accords to include tighter non-proliferation safeguards.

Replying to a question in Parliament, the Swiss Government said that the country has enough nuclear fuels to run existing nuclear power stations for at least two years. Natural uranium supplies are also guaranteed under commercial contracts until the mid-1980s and the 15 per cent shortfall caused by the Canadian embargo has been made up from other sources for the time being. But the embargo will cause harm in the long run.

Switzerland is conducting an intensive programme to develop indigenous uranium supplies to reduce dependence on foreign sources. Research has shown that the southern and eastern Swiss Alps may be rich in uranium but a commission of experts has said that it is too early to judge whether the deposits can be commercially exploited. The Government has authorised further research during the next five years to study the extent of deposits and the feasibility of exploitation.

The Canadian embargo will seriously affect the Swiss nuclear energy programme if it is prolonged beyond the 1980s. *Switzerland has three functioning* nuclear plants and a fourth will soon become operational. Construction of three other plants has been blocked temporarily because of opposition from people in the surrounding areas.

Gold price forecast to top $240 this year

BY JOHN WICKS

FINANCIAL TIMES
WORLD GOLD IN THE 1980'S
CONFERENCE

THERE IS no doubt that this year's average gold price will exceed the 1978 level, probably reaching more than $240. This was claimed in Montreux yesterday at the Financial Times conference "World Gold in the 1980s" by **Mr. Rudolf Schrieber,** head of the precious metals department of Credit Suisse.

Although prospects for the current year were obviously influenced by a new record volume of physical supply, he said, counter-balance would be provided by weighty interests on the demand side.

Mr. Schrieber, who said that some two-thirds of the annual supply of physical gold today passes through the bands of the big Swiss banks, pointed out that there had been a virtually uninterrupted rise in industrial demand. He forecast that this year this would increase by some 5 per cent to about 1,360 tonnes.

An estimated 430 tonnes would remain for investor and stockpiling requirements.

With regard to industrial use of the gold, **Mr. Robert Guy** of N.M. Rothschild, saw a significant reduction in demand this year, however. European industrial consumption, which Mr. Schrieber had said appeared to be strengthening in 1979, was claimed by Mr. Guy to be down by 5-10 per cent.

Despite this, and the continuation of supplies to the market at a high level, he said the slack had obviously been taken up by "investment - cum - speculative" demand. This had ben evidenced by an increased offtake by long-term investors and by the short-term speculators, particularly on the futures market. Investor demand was also reflected in the sale of gold coins.

In the long term, Mr. Guy said he took a bullish view of the gold price. While an uninterrupted move through $300 last year would have caused total disruption in the foreign exchange markets, with a consequent collapse in world trade, "in 1979 a rise through $300 could occur, if not with total equanimity, at least with the support of the many positive attributes of the market."

Gold currency accounts for about 50 per cent of the world's official reserves, it was stated by **Mr. John Forsyth** of Morgan Grenfell. He attributed this to the unwillingness of non-dollar countries to allow their currencies to take up a reserve role.

Special drawing rights had been "a complete flop" in this connection, he said, with a share of only 5 per cent in total reserves. However, Mr. Forsyth suggested that non-dollar currencies would in time play a more forceful role in central bank reserves, with a corresponding decline in the share of gold from the 50 per cent at present.

It might prove imprudent not to invest in gold, said **Mr. M. Carstensen,** of the Dresdner Bank. Private enterprise continued to look at gold as monetary instability continued. There was a growing need to diversify investments, but partly due to regulatory restrictions, European portfolios had disproportionately small shares of gold. Some pension funds, he said, were now starting to consider *the possibility of holding* gold.

For all practical purposes, demonetisation of gold had taken place, it was stated in a paper read for **Mr. Richard Cooper,** U.S. Under-Secretary of State for Economic Affairs, nor would it ever be remonetised. Gold was an "appendix left over from an obsolete monetary system."

The fact that central banks had shown no interest in buying gold in the free market reflected their recognition that it was an unsuitable medium for international payments.

Mr. Cooper's paper stated that the intended pooling of gold under the European monetary system seemed to have as its principal reason that gold was not otherwise usable in official transactions.

Supplies of newly mined gold should remain stable over the coming decade, according to Mr. Christopher Glynn of Consolidated Gold Fields. Private demand should rise by some 3 per cent a year. Mr. Glynn put the annual price increase at some 4 per cent in real terms, although he said this could be a conservative judgment, should there be, for example, a renewed official price for gold, or should growth potential of the gold share in private portfolios have been under-estimated. With regard to Soviet output, Mr. Glynn said the USSR would be able to sell more than 300 tons a year from the present production for several years.

Japanese gold demand may prove very strong, particularly for investment purposes, said Mr. Toshio Watanabe of Tanaka Kikinzoku Kogyo. "I believe that it will be much higher in the future than you all may imagine," he said. In 1978, total net supplies to the Japanese market were 155.9 tons. Major demand of 67.3 tons for jewellery last year was likely to increase. Some 41.3 tons was assumed to have been sold for investment and hoarding, a certain quantity of this having been smuggled out of the country. He put total Japanese hoarding now at no more than 100 tons.

The future for gold mining shares in the 1980s was very good, particularly as a form of short to medium-term investment in gold, said Mr. Philip Taylor of Rowe and Pitman. The current bull phase in the market was now about three years old, and under normal circumstances could be expected to be heading for a peak fairly soon. However, the whole outlook had been changed changed by the continuing oil shortage and price increases. "It seems, therefore, that gold shares will remain in strong demand for some time to come, and the share market still has some way to go up."

Italians face increased costs for heating

ROME — The Italian Government will raise the price of heating oil and diesel fuel but the petrol price could remain unchanged if consumption is reduced sharply, according to Sig. Giuseppe Ammassari, general director of energy sources at the Industry Ministry.

The price increase is expected to be decided at a meeting of the Cabinet's price committee tomorrow, possibly by 20 per cent from the current price of L137 a kilogram.

Italy already is suffering from a moderate shortage of heating oil and diesel and some filling stations have had to shut down their diesel fuel pumps for short periods. A price rise could encourage holders of the product to sell it on the Italian domestic market, although internal prices would at least have to double to match current spot prices.

Sig. Ammassari said the petrol price could be left unchanged if demand were reduced this year by 10 per cent from 1978. However, petrol consumption in the first four months actually rose by 10.1 per cent from the similar period of 1978.
AP-DJ

French state aid criticised

PARIS—The French Economic and Social Council yesterday *criticised the efficiency* of government subsidies to industry, noting that several companies with chronic losses absorb half of the state subsidies and loans to sectors exposed to international competition.

The Council, an advisory body, said there were insufficient controls on the financial health of companies which receive the subsidies. AP-DJ

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Schmidt to seek international action on energy

BY JONATHAN CARR IN BONN

HANCELLOR HELMUT CHMIDT will press at this onth's European Community id Western economic summit eetings for a new, ›-ordinated international effort avert a looming energy isis.

Despite the outcry following ie Harrisburg reactor accident the U.S. and in the face of rong opposition within his vn Social Democrat Party SPD), Herr Schmidt will urge idorsement of the further evelopment of nuclear power.

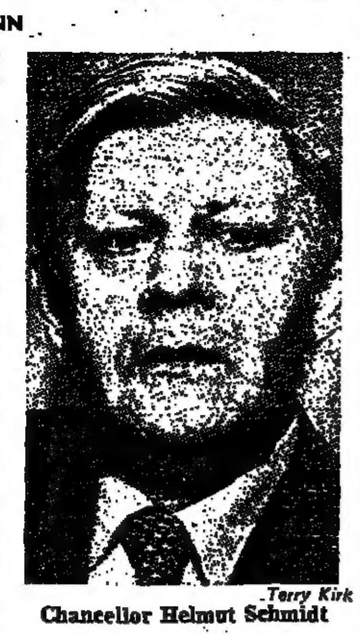
Other proposals will include e drawing of non-oil develop- g countries into a new alogue between the oil pro- icers and consumers, a much tensified research and invest- ent drive into energy savings ethods, and a big increase in e search for, and development , new energy sources.

Many of these themes have gured in national and inter- itional programmes for years ist. However, Herr Schmidt early feels that the latest oil arket difficulties have pro- ded a new stimulus to turn ords into deeds.

He is said to have been rengthened in that conviction his recent talks in the U.S. ith President Jimmy Carter. ence, the West Germans have een playing down their iticism of earlier U.S. action subsidise some oil imports, the grounds that, more iportant energy issues are volved, on which support om Washington seems likely.

The West German side is hop- g that a co-ordinated approach in be reached by the European ommunity countries at their uncil (summit) meeting in rasbourg next week, thus in- easing the prospects for suc- ss at what appears increas- igly to be turning into a West- n "energy" summit confer- ice in Tokyo at the end of the onth.

Particularly close co-operative forts are thus underway with ie French, who currently chair e EEC Council of Ministers. ie West Germans are unen-



Terry Kirk

Chancellor Helmut Schmidt

thusiastic about efforts to control the Rotterdam spot market in oil, such as the French propose. But this is said to be a very small area of discord in a policy field where the two governments largely see eye to eye.

Herr Schmidt's support for atomic power stems from his belief that whatever new success may now be achieved in the search for alternative sources, nuclear energy will be essential at least for a transitional period lasting decades. International accord on that point would arm the Chancellor with powerful arguments in advance of the SPD congress in December.

Despite West Germany's large coal reserves, Herr Schmidt has recently expressed doubts privately about markedly increasing use of the fuel.

His attitude appears grounded in fears recently underlined here by the scientist and energy expert, Dr. Carl Friedrich von Weizsaecker, that increased carbon dioxide production could, over decades, cause climatic change with serious economic and political consequences.

Swedish plans to import coal on a large scale

BY WILLIAM DULLFORCE, NORDIC CORRESPONDENT

HREE SWEDISH concerns are egotiating the formation of a ew company to import coal on large scale. They envisage ivestments in foreign coal pro- uction and in the construction new harbour installations in weden.

The background to the move uncertainty about future ipplies of oil and nuclear iergy. The Government idicated recently that Sweden ight need to raise coal imports 9m tonnes a year during the ext decade.

The latest oil price increases re particularly severe on weden, which obtains 70 per ent of its energy requirements rom imported oil.

The initiative in forming the ew coal company has come rom LKAB, the state-owned iron mining company, which has started talks with the Hydro-electric Power Board and Sydkraft, a private power utility. Mr. Kurt Lekaas, the LKAB director responsible for the project, said yesterday the time had come to switch from planning to action.

He named Australia, Poland and the U.S. as potential sources of coal. Local interests in all three countries had been approached with the idea of forming joint ventures with Swedish concerns to mine coal.

Mr. Lekaas pointed out that imports of Polish coal would enable LKAB to raise its iron ore exports to Poland, while imports from Australia could be transported in the bulk ships which at present carry Swedish ore to the Far East.

Threat of bankruptcy looms over cities

By David Gardner in Madrid

MAYORS representing Spain's 20 largest cities met Sr. Adolfo Suarez, the Prime Minister, yesterday in a bid to solve the financial crisis threatening several of their municipalities with bankruptcy.

Among their demands were that the state absorb the municipal deficit in its entreaty, and to provide the newly elected city authorities with at least a quarter of this year's national public spending allowance.

The Socialist Party, the *main winner of last April's* municipal elections, was due to defend this view in Parliament yesterday evening, in the course of debate on the 1979 budget, postponed for six months because of the spring elections.

Spain's *town halls* are expected to reach the end of the year with a combined debt of some Pta 400bn (£2.9bn)—that is to say, twice this year's public spending allowance, of which they will receive only 9 per cent.

Barcelona is the worst affected, with debts in excess of Pta 60bn (£437m) and an expected deficit this year of Pta 11.9bn.

Madrid has a debt of Pta 43bn expected to rise to Pta 58bn by the end of the year.

The issue is deeply political, as well as financial. Socialists, Communists and Nationalists won control of 28 of Spain's 30 laregst cities last April, in the country's first full municipal elections for 46 years.

This came only five weeks after the re-election of Sr. Suarez's ruling UCD party for a four-year term.

The Government took a particularly serious view of the mutual support pact between the Socialists and Communists, which assured the *Left of* effective victory. The newly-elected mayors now believe that the Government is *retaliating by tightening the* financial screws.

A more deep-rooted cause is that the population of Spain's *cities has shot up during the* industrialisation that has taken place since the Civil War. More than half the *rural population has moved* into the cities.

Municipal budgets have not kept pace with this growth, while *town halls* have been called upon to provide an ever-wider range of services.

To alleviate the burden, *Barcelona and Madrid town* halls are considering a major public debt issue, and even the possibility of raising *international loans.*

Irish power warning

IRELAND faces power cuts next winter, because so many householders have scrapped oil-fired central heating systems in *favour of electricity, according* to Dr. John Kelly chief executive of Ireland's Electricity Supply Board. He said 300,000 people were *switching to electricity* to heat their homes because domestic oil supplies were scarce. If increased demand for *power was maintained at its present* level next winter, there would be cuts.

Valencia's 1,000-year-old irrigation rules still work, **Robert Graham** reports

Water laws to run Spain's market garden

EVERY THURSDAY just before mid-day eight men gather in the porch of Valencia cathedral to hold an informal tribunal. All are old; farmers, passing judgement on the complex and unique heritage of laws governing the use of water around Valencia.

The existence of this tribunal for over 1,000 years has been fundamental to agriculture in the region, the market garden of Spain.

To commemorate this extraordinary court, and more particularly the centenary of the special codified Valencia water laws, major celebrations are being held this week in the City.

Valencians like to regard their water tribunal as the oldest extant court in Europe. It was probably started under the Romans, for the main irrigation systems were initiated by them.

However, the present court and its laws are a legacy of the *Arabs, dating from around 960.* The court illustrates how the Christian Spanish conquereors absorbed Moorish practice. For instance the present cathedral is on the site of an old mosque.

When it was consecrated, only persons baptised were allowed to enter. Thus it was necessary to hold the court outside to be able to try for abuse of water rights those Moors who remained. The court begins at midday, a reminder of the ancient practice of timing the start of the day from the moment when the sun was at its highest.

The court was considered so useful an institution that it survived all efforts to incorporate it into the Spanish legal system. It grew from the need to make the most of the fertile soil of the Valencia plain which is watered almost entirely by one relatively small river, the Turia.

From this river eight main, or mother, irrigation channels were built and an extensive feeder system evolved. It now allows the land to grow four vegetable crops a year with a production worth some $700m. The land has among the highest returns in Spain.

Each mother system has a users' association formed from among the farmers of the land adjoining the irrigation channels. From each of these eight associations one magistrate is elected to sit on the tribunal.

The magistrates must be men who do not merely own land—they must work it and be known to be "citizens of good repute." They must possess a minimum land holding, which is a peculiar Valencian measure known as a *henegada*, equivalent to about 831 square metres.

Because of inheritance divisions the land has been parcelled out. But no parcel may be less than 1 *henegada*, considered the minimum viable unit. There are over 17,000 farmers, according to Sr. Vicente Giner, secretary of the board of the River Turia.

The magistrates originally enforced laws that were transmitted orally. Even now the proceedings are never written. The reason for being taken to court include failure to maintain properly irrigation channels, or use of water out of turn, in excessive quantities or without consent of adjoining users.

Judgment is final and there is no appeal against the punishment which is always a fine—still measured in the old Valencian pound, an lliure (about a farthing).

In the past 30 years the court has been less active because the construction of dams and catchment areas in the hills behind Valencia has assured a more regular supply of water. However, fear of being denounced and appearing before the court (denunciations can only be made by fellow farmers or a special watchman) does carry a stigma in this close-nit community and therefore acts as a deterrent.

The Valencian water laws themselves were based on the principle that water should have priority for drinking purposes, then agriculture and finally anything eslse.

They were extended with some success to cover the different needs of citrus growing on slightly higher land in the Valencia region.

These citrus groves account for some 50 per cent of total Spanish citrus exports, requiring only four main irrigations a year.

The citrus groves are watered through bored wells which are privately owned. The water on the other hand that goes through the main irrigation system to the vegetable farmers is public.

Because around Valencia there has been an historic community which has had a vested and uniform interest in the fair distribution of water, this individual system of supply and control has worked.

The same cannot be said of the rest of Spain. In a country where water supply is so valuable, it is remarkable that water policy has been so poor.

Moreover, policies which have worked well until now are becoming obsolete as a result of rapid industrialisation and increasing pressure placed on water resources by the major urban centres. This applies even in Valencia.

The basic problem is that the bulk of water supply is in the hands of private companies which operate on concessions granted by municipalities. Such concessions include treatment of water and on occasions extend to extraction, though all dams and reservoirs are public.

Thus in the industrial boom of the 1960s there was insufficient public control, nominally through the Public Works Ministry, over the use of water.

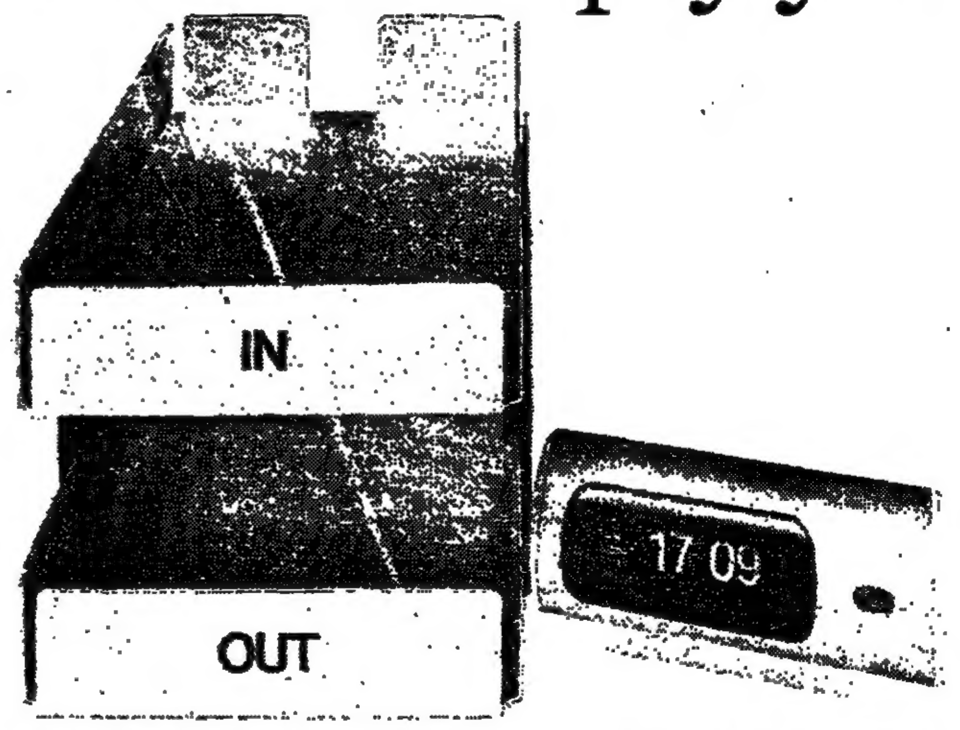
The result has been exposed in the coastal resort of Benidorm where tourist facilities have been allowed to be built without adequate provisions for water, and perennial crisis reigns. Last summer the navy was obliged to bring in special supplies.

In the Canaries private groups have been allowed to exploit the aquafers, and this, combined with excessive tourist building, has led to a black market for water. Poor control of scarce water in the Canaries has seriously damaged the island's future development.

The Ministry of Public Works, recognising the problem, is now working on plans to rationalise water ownership and supply so as to spell out clearly the relationship between the state and private interests. It is also working on a set of guidelines for the priorities of water use.

Several ecologists argue that the Government should adopt the old Valencian order of priorities: Drinking, agriculture and lastly industry. But already industry seems to have wormed its way into second place and it will be hard to reverse this position.

A Spanish grower tends the trees in the rich fruit-growing area of the Huertas Valenciana.



AMERICAN NEWS

Senators back synthetic fuel Bill

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

A BIPARTISAN group of senators has proposed legislation that would envisage the U.S. spending up to $5bn in a major effort to develop the production of synthetic fuels.

Sponsors of the Bill, which brings together a host of items that have ben advanced before by either the Administration or individual members of Congress, claim that it could cut the level of U.S. oil imports by as much as half over the next decade.

Senator Henry Jackson, the leading sponsor and chairman of the Senate Energy Committee, described the legislation as a "mobilisation effort" and said it had been compiled because "the country is made at all of us, the President, the Congress and the oil companies."

Its main provisions entail substantial expenditure on coal gasification and solvent refined coal projects, geothermal ventures, urban and industrial waste conversion plants and a fuel cell demonstration programme.

The Administration's reaction to date has been somewhat mixed. On the plus side, the Bill is seen as evidence of the willingness of at least some influential Senators to get to grips with the energy problem, but the Government also wants to get a clearer idea of how much the whole programme would cost. It fears it could make a mockery of its current attempts to enforce budgetary austerity.

On the House side, parallel legislation has already been introduced under the aegis of Congressman Jim Wright of Texas, the number two Democrat in the House. He briefed the White House on his package last week.

Meanwhile, the House Ways and Means Committee, in preliminary deliberations, showed signs of toughening, rather than softening, President Carter's proposed 50 per cent tax on the windfall profits accruing to the oil companies as a result of higher oil prices brought about by domestic decontrol and OPEC pricing decisions.

The committee voted down, on party lines, a Republican attempt to endorse the profits tax as originally proposed by the President and then accepted a pair of Democratic amendments that would increase the profits tax rate on marginal oil and would delay phasing out of the tax on so-called "old" oil discovered before 1973.

The intention is to push the windfall profits tax Bill through the House before the July 4 recess. But the Senate timetable, with the powerful Senator Russell Long of Louisiana exerting his considerable influence on behalf of some amelioration on the tax bite on the companies, is much less certain.

U.S. sales fall a second month

BY DAVID BUCHAN IN WASHINGTON

RETAIL SALES, a major force in the U.S. economy, declined in May for the second consecutive month, according to the Commerce Department.

The May decline of 0.2 per cent in consumer spending follows a much larger drop in retail sales in April, now put at 1.1 per cent. Much of the decrease was put down to flagging sales of domestically produced cars, while purchases of more fuel-efficient imported cars have risen.

The two-month decline in retail sales is by no means conclusive, because monthly figures are volatile. But it is the first such decline since December 1977-January 1978, and as such is undoubtedly a pointer. With business spending expected to offset some of the decline in consumer expenditure, the Administration has in fact for the past few months been hoping for some slowdown in the economy, if only to moderate the rate of inflation.

The Administration also moved this week to try to curb price rises in one of the most inflation-troubled sectors, housing. Wood accounts for about 15 per cent of the cost of new houses, and President Carter has now directed his Interior and Agriculture Departments to increase timber harvests from national forests and public lands by 1bn to 3bn board feet in the next two years.

Mr. Alfred Kahn, the President's chief inflation adviser, described the move as "an important contribution to easing the rising cost of housing." Coincidentally, food prices at the wholesale level have begun to decline, but the cost of energy, much the worst problem, is very largely out of the Administration's control.

GM recalls 20,000 vehicles

Nearly 20,000 General Motors cars are being recalled because of possibly defective brake lights, automatic controls and transmissions, according to GM officials, AP reports from Detroit. Two separate recalls are being made. About 15,300 large, medium and small passenger cars and light-duty trucks—all 1979 models assembled during January with automatic controls—are being recalled because of faulty brake lights and automatic controls. The second recall is for about 4,200 Chevrolet Monzas, Pontiac Sunbirds, Oldsmobile Starfires and Buick Skyhawks.

In these cars, the engine oil pressure switch may have an electrical short circuit, allowing the engine to start itself before the ignition is turned to the proper starting position.

Panama Canal vote postponed

BY OUR U.S. EDITOR

THE DEMOCRATIC leadership of the House of Representatives has again postponed a critical vote on the Panama Canal enabling legislation, which was due to have taken place yesterday.

It did so, officially, because it said it did not want to saddle President Carter with a nasty foreign policy setback on the eve of his Vienna summit meeting with Soviet President Brezhnev and, practically, because it was far from clear that the Administration's preferred compromise Bill would carry the day.

The intent of the opponents of the Panama Canal treaties has been, by offering alternative legislation, leaving Panama bearing the full cost of the Canal's operations for the rest of the century, to render last year's treaties unacceptable to Panama.

The latest twist in the opposition's tactics has been to allege that Panama is participating actively in what it describes as the "terrorist campaign" to unseat General Anastasio Somoza, President of Nicaragua.

On Monday night, Mr. Carter invited 75 Congressmen to the White House in a last-ditch attempt to solidify support. He said that if the implementing legislation were not passed, "it will be very difficult for us to join in the operation and defence of the Canal between now and the end of the century. The U.S. would have violated its word of honour . . . and international law."

Reuter adds from Washington: President Carter has decided to extend quotas on imports of specialty steel for eight months, it was reported on Capital Hill. The restraints are due to expire at midnight tonight.

Canada freeze

Mr. Sinclair Stevens, president of the Treasury Board in the new Canadian Government, has frozen civil service recruitment until mid-August at the earliest.

Meanwhile, Mr. David MacDonald, the Secretary of State, has also ordered a freeze on an estimated C$12m (£4.9m) worth of "national unity" spending planned by the previous Government.

Somoza clings on as bombs fall on capital

BY WILLIAM CHISLETT

WEEK after declaring a te of siege in Nicaragua the ops of President Anastasio noza are still not in complete itrol of the capital.

Since the weekend artillery l air bombing have been d to rout out guerrilla ongholds in various poor ts of the capital, causing lespread loss of life and perty damage and a massive dus of refugees.

'he Foreign Ministers of nezuela and Ecuador left nagua on Monday after see- General Somoza. They were e on behalf of the Andean t, an alliance of six Latin erican countries, in what is n as an attempt to mediate the civil war, which has so led to over 1,300 casualties both sides.

'he two ministers spoke with President for two hours, but ording to a Nicaraguan iister they did not bring any ce proposals with them.

General Somoza showed them it he claimed were captured ns sent by Cuba and Panama the Sandinista guerrillas as of of the "international " against him.

'he President apparently : the ministers that he was pared to consider holding tions in the country. Last r a U.S.-inspired mediation mpt broke down after eral Somoza rejected opposi- demands that he should e the country while a refer- um was held to decide on future.

eneral Somoza is outwardly ident that he will soon have situation under control ough he has yet to crack the resistance to him in four northern towns and in the capital.

The Red Cross estimates that at least 12,000 people have fled the areas under attack in the capital. The 10 Red Cross centres in Managua are over-flowing with women, children and old couples, who arrive carrying white flags. Those left behind in the poor areas are often their own teenaged children, spearheading the movement against General Somoza. They claim that the Guard is killing some people after they surrender.

The area near the airport has been under heavy fire, preventing flights from leaving and arriving. Shops are still closed after a general strike was declared over a week ago. Sixty American citizens held up in the U.S. Ambassador's residence tried to leave on Monday, but the airport road was cut off.

The Government now fears that while it may bring the situation under control this week, it could still be too late to plant next year's valuable cotton crop. This would further damage the already battered economy.

In an interview the Nicaraguan Agricultural Minister said only 200,000 acres, as against last year's 500,000, would be planted because of the war and depressed world prices. Cotton represents 30 per cent of total foreign exchange earnings.

Another vital export, sugar, is affected. The guerrillas severely damaged the Lare plant outside Chinandega, which processes most of Nicaragua's sugar.

Experts arrive at oil spill

EXICO CITY—Norwegian neers have arrived to help n up the gigantic oil slick off hern Mexico's Gulf Coast, re a burning exploratory is gushing 1.25m gallons of e oil a day.

n informed source said 18 vegian oil-spill specialists 'ed with 35 tons of equip- t to help contain the spill ie Bay of Campeche, west e Yucatan Peninsula, where the exploratory well caught fire on May 3.

Pemex, the Mexican Government oil monopoly, estimated the slick had grown to 640 square miles. Sr. Jorgñe Diaz Serrano, president of Pemex, said half the 30,000 barrels of oil spilled daily goes up in flames, 15 per cent evaporates and 25 per cent is being contained by flotation beams and will be recovered.

AP

Turmoil in El Salvador, Guatemala and Nicaragua stems from basic failure of political reform

U.S. alarmed as tide of violence flows on

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

VIEWED from outside the present situation in Central America has all the ingredients not only of tragedy but of comic opera, and even of low farce. One ambassador, sequestered by gunmen in his embassy excuses himself to his captors, says he is going out to get more wine for their dinner and promptly escapes.

A general whose supporters ensured his election to the presidency by blatant fraud passes a law of draconian repressiveness intended to muzzle the opposition and proclaims he is supporting "democracy and the constitution."

A minuscule guerrilla group obliges a Dutch multinational to finance an advertisement in Spanish in a British newspaper which criticises the ideological failings of a rival terrorist organisation. The Jesuits are accused of working to the orders of international Communism . . .

Most serious novelists would think twice before including that sort of thing in a work of fiction.

Yet behind the farce there is a state of affairs which is gravely worrying Mr Cyrus Vance, the U.S. Secretary of State, and which is increasingly claiming the attention of politicians in western Europe. In three countries of the Central American isthmus, Nicaragua, El Salvador, and Guatemala, violence has increased sharply over the past year and the political outlook is increasingly cloudy. In Nicaragua and El Salvador there is a state of popular insurrection. In Guatemala there is little prospect of political stability.

The roots of violence and instability are to be found in the economic structures of the countries. Speaking of conditions in El Salvador a senior State Department official said, "a very small percentage of the population possesses a disproportionately large percentage of the land. A small circle of wealthy families controls the bulk of the country's resources. The quality of life for large numbers of persons is generally just tolerable. Landlessness and high unemployment with under-employment feed the discontent of the masses."

What was said of El Salvador broadly applies to the other two states. Neither Guatemala nor Nicaragua is as physically overcrowded as highly populated El Salvador, the most crowded country on the American continent, yet in Nicaragua political and economic power is even more highly centralised than in El Salvador.

The state of affairs which obtains in the three countries is by no means uncommon in other parts of the developing world and it has taken a tragic set of political circumstances to plunge them into the present violent turmoil.

With improved communications political consciousness is increasing throughout the region. In all three countries successive attempts to achieve reform by gradual political means have been forcibly aborted so that increasingly those who have wanted to change and modernise their societies have been tempted to take up arms. Conditions in Nicaragua, El Salvador and Guatemala contrast strangely with the greater tranquility in Panama and Costa Rica and even Honduras, where in varying measures reformism has been a legal and accepted part of the political process.

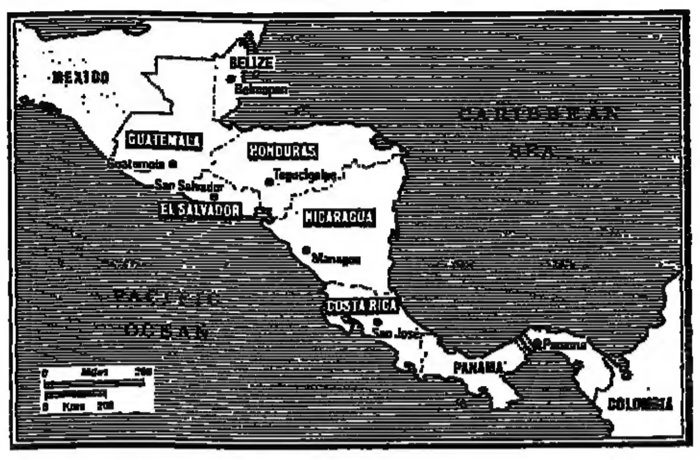
The starting point of the present tragedies in El Salvador could be said to be the year 1932. In that year the Left staged a half-hearted protest against the worsening conditions in the countryside where the already low wage levels of the peasantry were being reduced as the world slump hit Salvadorean exports of coffee. These protests resulted in the deaths of something between six and 30 people but, more important, signalled the beginning of a countrywide massacre of suspected rebels by the army under the command of the President, General Maximiliano Hernandez Martinez. Between 15,000 and 30,000 people lost their lives, around 2 per cent of the population, a fact which has to this day left El Salvador with a deep wound.

Since General Martinez took over the presidency in 1931 there has been no civilian head of state, and no one to preside over a reform process capable of relieving the social strains in a country which has become increasingly crowded and explosive.

In recent years the political struggle has become more bitter as political groups, often encouraged by the new teachings of the Catholic church, sought to dilute the political and economic power of the Fourteen Families who by tradition control the country.

The local establishment has fought this development and there is a great deal of evidence that in 1972, 1976 and 1977 the general and presidential elections were rigged in favour of the infelicitously FARN, has made many millions of pounds by kidnap and ransom techniques and has had two Lloyds Bank managers, Mr. Ian Massie and Mr. Michael Chatterton, in its hands since November 30.

Much more popular and representative of political feeling nationwide is the BPR or



	GDP per head (U.S.$)	Life expectancy (years)	Without formal education (% of pop.)
Costa Rica	1,069	70	12
El Salvador	509	62	46
Guatemala	899	54	56
Honduras	498	54	n.a.
Nicaragua	852	55	n.a.
U.K.	4,363	73	below 2

named government party, the PCN or Party of National Conciliation. In the countryside a government sponsored vigilante group, ORDEN, has attempted to eradicate rural protest.

The violence done to the local Christian Democratic and Social Democratic parties in El Salvador by the PCN and the military have brought rumbles of protest from their colleagues in western Europe and from the Carter Administration in Washington. The policy of violence and vote rigging has now led to a situation in which three clandestine guerrilla groups are active.

The dogmatic and sectarian Marxist-Leninist ideologies of both groups and the fact that they have given the impression of fighting one another with as much bitterness as they have fought the regime have resulted in their enjoying little popular support. One of the groups, Revolutionary Popular Bloc made up of 20,000 or 30,000 urban workers, teachers and peasants which has in recent months sought to publicise the grievances in the country by seizing embassies and churches. As television newsreels have shown the world, the authorities have ha dno compunction in shooting church groups or BPR demonstrators. In December an all-party British parliamentary delegation to El Salvador found that the Government of General Carlos Humberto Romero systematically used torture of political detainees.

A very similar situation obtains in Nicaragua but with the difference that since 1932 the power has been concentrated not in the hands of Fourteen Families but in those of only one, the Somozas. General Anastasio Somoza is President as was his brother Luis and his father, also Anastasio, before him. Either directly when they occupied the presidency, or indirectly through nominees when they did not, the Somozas have had Nicaragua in an iron grip for nearly five decades. Anastasio Somoza the elder was installed as head of the National Guard which was established by the U.S. army at the end of its occupation. He subsequently took control of one of the two long established political parties, the Liberals.

During its rule the family dynasty has built up a very big business empire based on large land holdings and a share in almost every substantial enterprise in the country including Mamenic, the shipping line and Lanica, the airline. The Somozas have big assets in neighbouring countries and own the now ailing publishing group Vision.

The last few years have seen increasing collaboration among the dynasty's opponents in Nicaragua. The Liberals' traditional opponents, the Conservatives, have stiffened their opposition to the Government as business has seen Somoza interests becoming overwhelmingly powerful and Somoza rule increasingly bad for non-Somoza companies. The professionals and church people have joined with Conservative businessmen to form the Group of Twelve which has been widely acclaimed and is the most popular political organisation in the country.

The Group of Twelve has in its turn moved closed to the FSLN, the Sandinista guerrilla movement which has been attacking the Somoza government and its troops since August last year and which launched a major offensive throughout the country this month.

But despite political and guerrilla attacks and pressure from the U.S. to step down, General Somoza is still saying that he will not retire before his presidential term is up in 1981. Because of the continuous fighting the Nicaraguan economy is in desperate straits.

Since last October, the country has been in default on many of its international obligations and the General will have difficulty in repaying $100m which is due over the next 18 months even though he has recently obtained $65.7m from the IMF.

Internationally, he faces the hostility not only of Washington but also of Mexico, Costa Rica, Panama and parts of Europe—whence funds are increasingly flowing to the Sandinistas. From Sweden alone $1m is estimated to have gone to Somoza's opponents over the past year. The Sandinistas have been promised help by the Khomeini Government in Tehran, and the Cuban Government. Israel and Spain have promised to stop shipping arms to Somoza. There is no sign that the assaults on the Somoza regime will slacken.

Guatemala, too, is a country at war. It shares with its Central American neighbours the highest rate of infant mortality and illiteracy and lowest life expectancy in the western hemisphere and is divided not merely between wealthy and impoverished but also racially in that there are many highly civilised indigenous races who live apart from the Spanish-speaking city dwellers.

A left wing leader, President Jacobo Arbenz, was elected constitutionally in 1950 but was overthrown with U.S. help four years later after he had moved against U.S. commercial interests and had been accused by Washington of too close a relatinship with eastern Europe. Since then the political struggle has gone on underground.

Left wing guerrilla groups have from time to time claimed victims while the army and the police have been implicated in isolated killings or bigger massacres. Last autumn about 100 peasants were shot by the army near the town of Panzos. This year two moderate left wing leaders, Sr Alberto Fuentes Mohr, and Sr Manuel Colom Argueta, were murdered as part of what appears to be a right wing campaign to eliminate all reformist leaders who have any chance of building up a nation-wide popular following.

The killings brought an angry response from western European Social Democrats and may mark a decisive watershed in the attitudes of the outside world to the regime of the Guatemalan President, General Romeo Lucas Garcia, whose election last year was surrounded by the same detailed allegations of fraud levelled against General Romero in El Salvador in 1977.

In all three countries things are likely to get worse before they get better.

David Lennon, in Tel Aviv, examines Israel's naval problems

Coping with guerrilla war at sea

PALESTINIAN SEA-BORNE commandos and the growing strength of Arab marine forces are troubling the Israeli navy.

While national and international attention has focused on the exploits of the air force and armour, the navy has efficiently gone about its task of guarding the coast and sea lanes.

However, the growth in sea-launched operations by the Palestinians has begun slowly to raise national awareness of the importance of the Israeli navy. Its attacks on Palestinian bases in Lebanon have gained international attention.

As the land borders have become increasingly difficult to cross, the guerrillas have been seeking ways through the coastal defences.

Rear Admiral Zeev Almog, Israeli's naval commander, put it bluntly recently: "The sea has become a confrontation line between Israel and the sabotage organisations."

The navy's immediate problem, is how to stop Palestinian sea-borne attacks on Israel. In the past five years there have been at least 13 such attempts.

In four instances the guerrillas have evaded the navy, managed to land and engage in operations which resulted in the loss of 55 lives. Two attacks, one on the crumbling Savoy hotel in Tel Aviv in 1975, and last year's capture of a bus on the coastal road, led to major battles with Israeli forces, heavy loss of life and world-wide publicity for the Palestinians.

Six of the 13 attempted attacks from the sea have occurred in the past ten months. Only one was successful. But the naval command is none the less concerned about the escalation as well as the increasing variation and sophistication of the methods used by the Palestinians.

The methods employed in the recent attempts included using a mother ship to drop off a squad in a small boat, running a speedboat from the Lebanese coast and approaching by rubber dinghy.

The latest attack—a hit-and-run operation, using a high-powered speedboat which could outrun the Israeli patrol boats—had a unique aspect. The attackers never intended to land on the Israeli coast where the majority of the population lives. Rather they brought with them two rafts on which small rocket launchers had been fixed.

The idea had been to anchor the rafts offshore and set timers to launch the rockets after the boat had returned safely to its home base.

The boat was spotted by the navy before it could accomplish its mission and was blown out of the water when the attackers tried to make a run for it. Some naval officers say the attack was foiled because of "many days' hard work," while others claim the boat was discovered by a routine coastal patrol.

It was probably a combination of both, plus educated guesswork. As one senior naval officer put it: "This is a chess game; we are constantly trying to guess what will be the Palestinians' next move."

The defence system conbines air and sea patrols, radar scanning as well as pre-emptive strikes against suspected training and launching bases.

A guerrilla navy may sound laughable. But Israel knows that it is engaged in a naval struggle with the Palestinians which though it may not follow any traditional pattern is no less deadly for that.

Israel is also struggling with long-term conventional naval problems. The 1973 war was the first major clash at sea in which both sides were equipped with sea-to-sea missiles.

Israel's navy emerged victorious, despite the fact that its locally produced Gabriel missiles had a shorter range than the Soviet-supplied missiles in use with the Arab fleets. Gabriel salesmen claim that it sank 13 enemy ships in that war.

Newly-graduated sailors aboard the Israeli submarine Dolphin.

One reason for the success was the superior technical skill of the Israeli seamen. The other and perhaps crucial element was that the western-supplied boats of the Israeli navy were faster than the Soviet boats on the Arab side. In addition, the western-made electronics systems used by Israel were better than those available to their enemy.

But that situation is about to change. During the next eight years more than 100 boats built in the West will be brought in to the Arab navies. This will produce a widening of the numerical gap from the current ratio of one Israeli to three Arab vessels to a ratio of one to six. And the new boats will be the equal of and possibly superior to those being used by Israel.

The navy currently operates about 20 missile boats, some 40 small patrol boats, three submarines and a few landing craft, according to the International Institute for Strategic Studies.

A few more missile boats are on order, as are two hydrofoils. But the problem now facing the navy is the pending decision on what types of craft to order to meet future needs. There were reports that Israel has ordered at least two 800-ton corvettes, but they may have been premature.

One possible future threat, according to Admiral Almog, would be the acquisition by the Arab navies of missiles and electronic equipment which would enable them to launch long-range strikes against the Israeli coastal plain. There is also a fear that the growing Libyan navy may threaten the shipping lanes leading to Israel.

To counter this, Israel will need boats capable of patrolling the seas at greater distance from the coast and for longer periods than is possible with the available vessels. It is expected that these boats would have to be large enough to carry helicopters.

But there is considerable opposition within the navy to larger boats because they make bigger targets. Admiral Almog confessed recently that it was difficult to decide which equipment to buy and which mix of vessels would be best suited to carry the navy through to the year 2000. As the Arab navies take delivery of their new boats, the need to decide will grow more pressing.

Oil costs fuel prices in Japan

By Richard Hanson in Tokyo

JAPANESE wholesale prices in May rose sharply for the second consecutive month as a result of soaring crude oil and oil product prices which will continue to boost levels this month.

The month-to-month increase in the wholesale price index last month was 1.6 per cent, up 3.5 per cent from May 1978 to stand at 109.2 (1975 equals 100). This translates into an annual rate of increase of 26 per cent following an annual pace of 22 per cent in April.

The rise in crude oil prices, averaging nearly 14 per cent over April, accounted for 1 per cent of the 1.6 per cent increase. In April oil and oil product rises had taken a 0.8 per cent share of the monthly 1.7 per cent increase.

The impact of oil prices jumps this month is expected to be equally severe, although the secondary price increases on oil products will probably be somewhat less than the actual crude rise.

The Bank of Japan, which compiles the index, expects that the current wholesale price rises—monthly increases have been registered since last November—will be felt by consumers sometime during the summer months and into autumn. While the price of oil is putting pressure on chemicals and there are fairly steep rises in certain other commodities the Central Bank notes that other key products like iron and steel and textiles have remained stable.

Consumer prices may benefit also from the modest salary increases which were won by unions during the recent spring wage offensive

The Bank of Japan since April has been following a more cautious monetary policy, having raised the Official Discount Rate, and tightened its guidelines on the expansion of bank lending. At present it feels there is no need to take further strong steps.

Khomeini warns Russia, 'Hands off Afghanistan'

BY ANDREW WHITLEY IN TEHRAN

IRAN yesterday warned the Soviet Union against "interference" in neighbouring Afghanistan, saying this would have an effect on Moscow's relations with Tehran.

Ayatollah Khomeini told Mr. Vladimir Vinogradov, the Soviet Ambassador to Iran, that the Afghan President, Mr. Nurr Mohammad Taraki, would suffer the same fate as the Shah if he continued "to act as he has done."

The statement was the strongest indication so far of Iranian support for the strengthening Moslem opposition movement in Afghanistan. Some 50 or so prominent Shia clergymen from Afghanistan have taken refuge with their co-religionists in the holy city of Qom, but have received no more than moral and humanitarian help to date.

In reply, Mr. Vinogradov is reported by the state radio to have told Ayatollah Khomeini he was not well-versed in Afghanistan's affairs. The Ambassador said Moscow wanted strengthened relations with Iran and expressed his regret over the inclusion of the Soviet Union as a target in recent anti-big power demonstrations in Tehran.

In his customary forthright manner, the Iranian religious leader told the Ambassador he had heard reports of Soviet-made weapons being smuggled into Iran. If these reports proved correct, he said, the Soviet Union would be reproached.

Reports of Soviet weapons reaching Turkoman rebels in north-east Iran in March were never substantiated, but journalists just back from the troubled south-western region say Soviet-made arms ar flowing freely across from Ira

Mr. Vinogradov gave a "pos tive assurance" that the Sovie Union was not supplying arm to anyone in Iran. He said an Iranian evidence of such charge would be investigated.

From Moscow's point of view the main purpose of the call o Ayatollah Khomeini appears t have been the start of a dipk matic campaign to try an reverse Iran's near final decisio to cancel a major gas pipelin project between the tw countries.

Mr. Vinogradov is reported t have said any joint projects wit the Soviet Union would not b to the detriment of Iran. Diplc mats say this seems to be clear hint that Moscow is pre pared to raise the price it pay for its gas if Tehran agreeds t go ahead with the $3bn Igat-tw pipeline.

Iranian oil supplies for Turkey

BY OUR TEHRAN CORRESPONDENT

IRAN HAS agreed to supply Turkey with an extra 435,000 tonnes of crude oil and oil products for this year. The agreement, worth approximately U.S.$60m (£29m), was reached at the end of a visit to Iran by Mr. Gunduz Okcun, Turkey's Foreign Minister.

With Turkey facing a severe fuel shortage, the agreement is seen here as a significant political gesture by the Tehran regime.

Deliveries are to begin in mid-July, and will run for the rest of 1979. No prices are available, but these are likely to have been at Iran's standard-term contract rates.

Turkey's fuel problems are reported to be having a severe effect on internal and international transport. International freight forwarders bringing goods overland into Iran say waits of up to a week outside Turkish petrol stations are not unknown.

Mr. Okcun left Tehran for Ankara yesterday, apparently well pleased with the outcome of his visit, despite a potentially embarrassing lecture from Ayatollah Khomeini who, indirectly urged Turkish support for the Islamic revival and criticised Western-style democracy.

According to diplomats, an exchange of views took place with Iranian officials on Kurdish demands for self-rule. The Kurds live in Iran, Turkey and Iraq. But the diplomats denied that any common policy against the Kurds was being formulated in Tehran and Ankara.

Baghdad is currently engaged in a major military drive against Kurdish partisans in northern Iraq, allegedly with tacit Turkish co-operation. The largest of the partisan groups, the Iraqi Kurdistan Democratic Party, is believed to have two military camps on foreign territory: one just inside the corner of Turkey adjoining Iran and Iraq, and the other near the town of Oshnovieh, in Iran—the burial place of their late leader, Mullah Mustafa Barzani.

Palestinian talks in difficulty

By Roger Matthews in Cairo

EGYPT, Israel and the United States concluded their first full negotiating session on Palestinian autonomy yesterday without even having reached an agreement on methods of procedure. Three sides will meet again on June 25 at Herzlia, north of Tel Aviv, when they will hear a report from a three-man committee set up yesterday to find a way out of the difficulties.

The failure of the talks, held in Alexandria during the past two days, again emphasises the enormous problems involved in trying to reconcile the Egyptian demand for full autonomy for the Palestinians living on the occupied West Bank and Gaza Strip, and Israel's insistence that the Arab inhabitants should be given a degree of self-rule but nothing that might be seen as leading towards the creation of an independent state.

Dr. Boutros Ghali, Egypt's Minister of State for Foreign Affairs, said after the meeting that there was still a wide gap between the parties, a view echoed by Mr. Shmuel Jamir, Israel's Justice Minister. Both men believed that eventually their differences could be overcome.

Australian union arrests lead to strike threat

BY DON LIPSCOMBE IN PERTH

AUSTRALIAN trade unionists are threatening a national strike because two union leaders were arrested after addressing workers at Karratha, in the Pilbara mining district of Western Australia, on Monday.

The police arrested Mr. Laurie Carmichael, assistant national secretary of the Amalgamated Metal Workers and Shipwrights' Union, and Mr. Jack Marks, assistant Western Australian Secretary, after they had spoken to about 200 iron ore company employees without the police commissioner's permission. The police waited until Carmichael and Marks landed at Perth airport, after a 750-mile flight from Karratha, before arresting them.

The motive remains unclear. Although Carmichael and Marks were warned they were breaking the law, the drastic step of arresting them is being interpreted as deliberate confrontation, although the Government denies this.

In Perth yesterday the Police Commissioner defended the arrest, saying some Karratha trade unionists were excited and drunk. Police were right to take names there and to complete the arrests in Perth, he said.

Mr. Gil Barr, State Secretary of the AMWSU, called the arrests "cowardly," but acknowledged that if the two men had been arrested in Karratha, "there would have been a revolution by the workers."

There had been trouble or stoppages before the arrests. After the police action all iron ore company personnel from four mining companies and salt industry workers from two plants went on strike, backed by the militant maritime unions.

Mr. Bill Hayden, the federal Opposition leader who was in Karratha at the time, used the arrests to criticise the conservative government of the Western Australian premier, Sir Charles Court.

He saw it as evidence that the Court Government had embarked on a programme of generating industrial tension and confrontation as part of a strategy to gear up for an early election in which he would use the trade union movement as a scapegoat.

Export controls eased, Page 7

Non-aligned nonplussed,

K. K. SHARMA, recently in Colombo, describes how the Non-aligned Movement discovered that its greatest danger was from within

AS WEARY delegates ended the conference of the 25-member Co-ordinating Bureau of the Non-aligned after a 24-hour sitting in Colombo last week, it was apparent that their raucous squabbling had settled nothing. In fact, the Havana summit conference of the movement, to be held in September, will almost certainly take place under the weight of apparently insoluable controversies — exactly what non-alignment is not supposed to be about.

The last Foreign Minister-level meeting to be held before Havana was meant to prepare the ground for a conference of Heads of Government. In fact, it has merely passed on unresolved controversies so that the conclave of presidents and prime ministers in Cuba will have to start from scratch. Rather than douse fires, as it should have done, Colombo stirred up volcanoes. Sceptical western critics may well look at the non-aligned with an "I-told-you-so" attitude. As Mr. Atal Bihari Vajpayee, India's External Affairs Minister, acknowledged: "The threat to our movement now comes from ourselves."

To Havana go such problems as the demand for the suspension of Egypt for signing a peace treaty with Israel and the representation of the Kampuchean regimes. So intense was the bickering that it is certain to continue at Havana. Clearly, the parties are in no mood to compromise.

By making them the focal point of the Havana summit, the non-aligned movement faces its biggest crisis. For one thing, the parties concerned have thrown overboard the tacit agreement that bilateral or regional disputes are not discussed. For another, they converted the movement into a forum where concrete issues are discussed. This may not be a bad thing since the movement is, at last, being forced to get to grips with realities rather than trot out banal platitudes that no one takes seriously.

What the non-aligned fear is that the movement cannot absorb the shock of having to take positions on topical issues. Certainly, the tensions at Colombo showed that the movement could come apart under the strain. It was only by referring to Havana such vital unresolved issues that non-alignment still exists. But Havana cannot pass the buck any further.

At Colombo, irate Iraqis even threatened to settle scores with equally hostile Egyptians in the traditional Arab manner, by asking delegates to step outside. A Western observer remarked that the heavy security precautions were meant to keep delegates from getting at each other's throats.

Tempers are unlikely to cool before the Havana meeting. In addition, the summit will have to face the deepening feeling among the African countries that the older members are imposing their will on them. There is also growing uneasiness because for the next three years, after September, the movement will be in the hands of a pro-Soviet Cuba. African determination over what they felt was their right not to surrender their "sovereignty" to the co-ordinating bureau was the surprising, unexpected new issue to arise at Colombo.

Countries like Mali, and the Ivory Coast, for instance, virtually threatened to walk out if the bureau continued to impose a "consensus" on them. This was one reason why Egypt was saved. The Africans would not allow a member of the Organisation of African Unity (OAU) to be expelled without first discussing the issue among themselves. Egypt lives to fight again—and there is certain to be a battle royal in Havana.

Ironically, the Non-aligned Movement has started breaking up into blocs although it was launched in the 1950s as basically anti-bloc, in the sense that it was opposed to joining the groups formed by the Supe Powers. Yet there is now clearl an African bloc, an Arab bloc and talks began for the firs time in Colombo on formation of an Asian bloc.

India and Sri Lanka are i the fore of this move and the were the founders of non-align ment. Havana will have to tak into account that, within th movement, there are now small er pressure groups. Even th founders of the movement ar going their different ways an new entrants might well wor der what kind of club they hav joined.

One answer is that the Nor aligned Movement will be th political arm of the developin countries' fight for economi concessions from the West. Sinc Egypt and Kampuchea dom nated the Colombo conferenc not much attention was paid t the fact that it agreed on formidable economic declar tion, even though the Arabs su cessfully avoided discussin energy and the manner in whic it affects the Third World.

Since the fifth United Natior conference on trade and d velopment (UNCTAD V) ha just failed and the North-Sout dialogue has stalled, the no aligned movement may find i self a new role as an econom pressure group. That depen on whether its political maste will allow differences on oth issues to be forgotten for while so that they can conce trate on practical matters.

APANESE IMPORTS

EEC rules out retaliation

BY GUY DE JONQUIERES IN LUXEMBOURG

:C Foreign Ministers yesterday led out the possibility of <ing any retaliatory measures ainst Japanese exports for the 'eseeable future, despite the ospect that Japan's bilateral ide surplus with the Com- nity will increase still further is year.

Instead, when the Western onomic summit is held in kyo at the end of this month, EEC will present Japan with iat amounts to a restatement earlier demands for better cess to its domestic markets, increase in its official develop- nt aid spending, and the intenance of a buoyant level internal economic demand.

The Ministers' decision to oid any hint of trade sanctions was vigorously backed by Mr. John Nott, Britain's new Trade Secretary. He argued that the EEC should rely mainly on a policy of persuasion and should not resort to threatening the Japanese or lecturing them on how to run their internal affairs.

It was not reasonable, he said, for the Community to expect Japan to change overnight internal practices which had grown up over many years, such as its complicated distribution system, simply to satisfy European demands.

He also proposed that the EEC should concentrate more on urging the Japanese to remove barriers to direct investment in their economy by European companies.

The possibility that the EEC should resort to trade measures against Japan was first raised *seriously last April in a controversial paper written by Sir Roy* Denman, director-general of the European Commission's External Affairs Department.

The paper recommended that Japan be given until the Tokyo summit to show that it was *genuinely committed to cutting* back its trade surplus with the EEC. According to the Commission, this may rise to between $8 and $9bn this year from $6.4bn last year, despite a drop in Japan's overall trade surplus.

EEC governments are, however, clearly not prepared to approach the Tokyo summit in the same spirit of confrontation which characterised the Commission paper. Germany, Den*mark and the Netherlands* have stressed that such curbs could lead to a full-scale trade war.

Meanwhile, the Ministers agreed to defer yet again a decision on whether to ratify the package of trade liberalisation measures negotiated in the GATT *multilateral trade nego*tiations.

They are still awaiting the final details of the trade Bill which the Carter Administration will send to Congress and want to be certain that it will commit the U.S. to carry out agreements to which its negotiators assented in the GATT talks.

Australia to ease export controls on minerals

By Our Sydney Correspondent

THE AUSTRALIAN Government yesterday announced a significant relaxation of its eight-months-old control on the export of raw and semi-processed minerals.

The Government has excluded iron ore from the controls but retained a veto power over the export prices for coal, bauxite and alumina.

The original measures, introduced last October, were intended to prevent Japanese companies, acting in concert, from beating down the price by concluding individual deals with vulnerable Australian producers.

To-day's announcement follows strong pressure from the State Governments of Western Australia and Queensland, which export the bulk of Australia's iron ore, coal and bauxite-alumina. The Federal Government has agreed to consult the States before using the controls.

Two-thirds of Australia's mineral exports—and 25 per cent of total export earnings—derive from coal, iron ore and alumina. In 1977-78 these three commodities earned £856m, £538m and £390m respectively.

Row over Israeli clause in Air Canada-Saudi deal

BY VICTOR MACKIE IN OTTAWA

A CONTROVERSY has erupted in Canada over a deal the Government-owned airline, Air Canada, has signed with the national airline of Saudi Arabia that includes an Israel-boycott clause. The deal was approved by the defeated Liberal Govern*ment before the May 22* Canadian election.

Signed on May 7 the transaction followed months of negotiations and advice from the Industry, Trade and Commerce department that it was acceptable.

The Air Canada-Saudia deal is worth C$2m *for the provision* of maintenance work on the Saudi National Airline's Lockheed L-1011 jets.

The clause in question says that Air Canada would not contravene any of the customs and excise laws of Saudi Arabia. *It also provides that no Israeli* national be permitted to work on the contract and that no subcontract work be given to any Israeli firm.

Mr. Bryce Mackasey, Air Canada's chairman, said yesterday that the contract was submitted to Air Canada's board of directors in late 1977 prior to his appointment and that he was unaware of its existence until Monday.

Mr. Don Mazankowski, the Transport Minister, under the new Conservative Government has promised an immediate *investigation.*

An official with Industry, Trade and Commerce confirmed on Monday that the contract was legal under the provisions of Canada's primary boycott policy.

There is no legislation in Canada that bans Arab boycott of Israel.

Sweden seeks UK oil

BY LORNE BARLING

'EDEN is interested in buy- more oil from Britain, 'haps in conjunction with il if agreement can be ched on coal prices, which now regards as too high, the edish Minister of Commerce, Hadar Cars, said in London sterday.

He said that Britain had now 'rtaken Saudi Arabia as an supplier to Sweden and that l was increasingly regaining importance as a source of 'rgy.

Speaking at a British-Swedish Chamber of Commerce Silver Jubilee lunch, Mr. Cars said that no formal talks had taken place *on coal purchases, but pointed* out that imports could be important to the UK coal industry.

He stressed that Sweden was highly dependent on oil, as the highest per capita consumer in the world, *and hoped to conclude* long-term oil agreements with Norway and the UK.

Japanese pay TV fine

MITSUBISHI International, a wholly owned subsidiary in the U.S. of Mitsubishi Corporation, a *major Japanese trading house*, has paid anti-dumping penalties *Washington has imposed for* importing Japanese colour television sets at unfairly low prices, a Mitsubishi spokesman said yesterday.

Mitsubishi International paid $121.007 in cash and $1.213m in *promissory* notes on May 14. The company is believed to be the first to pay the penalties levied on importing subsidiaries in the U.S. of Japanese companies that included Matsushita Electric Industrial Co. and Toshiba Corporation.

The other companies have been refusing to pay the fines, protesting that the methods used to calculate the anti-dumping duties is unreasonable. The penalties were imposed on colour televisions the companies imported to the U.S. over about two years until June 1973.

AP-DJ

U.S. makers announce jet sales

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ORDERS WORTH more than $665m (£330m) for new jet airliners have been announced by Boeing and McDonnell Douglas of the U.S.

Boeing said at the Paris Air Show that it had received new orders for a total of 37 new jet airliners, worth more than $550m, including two 747 Jumbo jets, 18 short-range 737s and 17 short-to-medium range 737s.

The orders were from Aerolineas Argentinas and El Al for the 747s. The 18 737s were for Pacific Western (7), CP Air (4), Southwest (3) and one each for Servicio Aero de Honduras, Transavia, Thai Airways and Polynesian Airlines.

The 17 737s were for Hughes Airwest (4), Allegheny (3), Ansett of Australia (2), Trans-Australia (2), Alaska (2) and one each to Pacific Southwest, Alitalia, Icelandair and Republic.

Boeing confirmed that British Airways had taken an option on 18 of the new 757 twin-engined jet airliners, of which it already has ordered 19. Boeing said it was confident it would sign another 757 customers by this autumn.

McDonnel Douglas announced that it had received an order *for 10 DC-9 series 30 twin*-engined airliners from Allegheny, worth $114.7m, for delivery in the last half of 1981.

These will be used to serve existing and new markets on Allegheny's route network, and to replace ageing British One-Eleven jets which the airline will start to phase out during 1979.

UNGARIAN ECONOMIC STRATEGY

Policy backs growth of internationally competitive exports

BY ANTHONY ROBINSON, RECENTLY IN BUDAPEST

'NGARY'S first priority now l over the next few years "to restore its external uilibrium." This was the mes- e spelt out by Mr. Peter 'ess, Hungary's recently oointed Foreign Trade iister, at the opening of this r's Budapest spring fair.

However, this is merely the ied-for result of a complex cess of economic change, olving a thorough shake-out labour, the introduction of rational market-determined :ing system, and a sustained ort to restrain overall growth production and income and centrate on the production internationally competitive orts.

n spite of a serious deteriora- 1 of the trade balance over past two years, the ngarian authorities are deter- ied to avoid administrative trictions on imports. Instead, oort growth will be limited to und 25 per cent over the

> e key to the entire onomic strategy is an celeration of those adual moves towards a arket-oriented economy iich have been under way ice the so-called new onomic mechanism was inched in 1968.

:t five years by consciously ining the economy at below l capacity, phasing out price sidies and encouraging both port substitution and energy l raw material savings.

The key to the entire onomic strategy is an accelera- n of those gradual moves vards a market-orientated nomy which have been der way since the so-called w economic mechanism was inched in 1968.

Consumer price subsidies, en on essentials like bread, its and transport, will also gradually cut back, although ments of subsidy will remain the foreseeable future. ready consumer price infla- n is running at around 5 per it and this is expected to uble next year. To compen- te, wages and salaries will o rise faster in money terms. But wage and salary increases ll vary much more and be ore geared to performance and oductivity than before. In ite of the rise in money comes the growth of real dis- sable income this year is ready planned to rise no more an 1 per cent against 3.5 per nt last year. The effect of all is will be felt most keenly by iployees of inefficient indus- es, which will not be able to y higher salaries and by the inagers and politicians who ce the difficult task of explain- g to their workers why not.

Credit policy and the banking stem will play a major role shaping economic priorities. ready the banks are imposing tight squeeze on companies' orking capital. By refusing edit the banks intend to force mpanies to liquidate their ocks, which are currently at an *normally* high level, and look r ways to economise on both bour and materials.

By cutting back the internal quidity and self-financing pacity of enterprises in this ay the banks are rapidly estab- ihing a key position as sup- iers of finance for investment ojects. The banks now go rough every investment iance application with a fine-tooth comb and insist on proof that any proposed investment will yield a minimum 24 per cent gross yield. If this cannot be proved to the banks' satisfaction credit will be refused and the companies will be left to adjust either by cutting stocks or by cutting production.

The object of the exercise is to increase the amount of credit available for viable export-orientated investments. A special Forint 45bn (over £1bn) export finance fund was set up for this purpose at the start of the current five-year plan period and has now been increased by another Forint 10bn.

All new long-term investments by the state have been *blocked for the time being and* the emphasis here is on the completion of existing projects. New projects of a capital intensive, long term nature will only be started once the immediate priority of restoring the external equilibrium has been achieved.

To judge by last year's trade and balance of payments figures this may take some time. The trade deficit with the convertible currency area doubled to $918m from $418m last year and the rouble denominated trade with Comecon countries showed a deficit of roubles 417m compared with roubles 61m in 1977.

Last year was a particularly difficult year, although evidence *has emerged this year that the* stagnation in exports to the West, while imports were up 15 per cent, led to stockpiling of export products which have been successfully marketed this year. Preliminary figures *for the first four months of this* year show an extraordinary 44 per cent rise in exports to the West compared with an 18 per cent rise in imports. Overall trade figures for the first quarter show that exports rose 20 per cent and imports only 2 per cent. As a result the first quarter trade deficit was only one half the 1978 figure.

> Rationalising the price structure will, it is hoped, help redress the position where some Hungarian exports incorporating imported raw materials have failed to cover even

The underlying problem however remains that of reversing the steady deterioration in Hungary's terms of trade. Although these improved slightly against the dollar area last year the fact remains that over the past five years higher oil, raw material *and manufactured* import prices have led to an overall deterioration of 10 per cent.

Rationalising the price structure, and all that this entails, will, it is hoped, help to redress the balance. Close examination of Hungarian exports *in the past* has revealed many instances where goods incorporating a high proportion of imported Western goods or components have subsequently been exported at prices which failed to cover even the cost of the incorporated imports. Raising factory prices to market levels will it is hoped eliminate such wastage and also provide Hungarian businessmen with a much clearer idea of their real costs.

In future exports will only be encouraged if their actual cost of production is below what they can fetch in hard currency on foreign markets.

Home loans buoyant as queues lengthen

BY MICHAEL CASSELL

BUILDING SOCIETY mortgage advances last month reached the highest total since November last year, although long queues for home loans remain.

Figures from the Building Societies' Association show that £755m was advanced to home buyers in May against £684m in April. At the same time, the societies made new commitments totalling £795m — the highest since March, 1978—compared with £711m in April. The increases were due mainly to seasonal factors.

During May, the societies attracted net receipts of £309m against £343m in April, but it was still the second highest monthly total since last October.

In the early part of June, receipts have been proving fairly buoyant, although withdrawals are normally high at this time of year in order to finance holiday expenditure. In addition, the pre-Budget spending spree may have helped to accelerate the normal seasonal withdrawal picture. In the absence of any significant changes in competing interest rates, receipts this month should, therefore, decline further.

Mr. Norman Griggs, secretary-general of the association, said yesterday "There are still queues at building society branch offices, partly because of the intense demand for mortgages from every section of the community, partly because the local authorities have had their own house purchase schemes cut back and partly because increasing house prices mean that fewer people can be satisfied with a given supply of mortgage funds."

The societies' lending programme has not meant any further reduction in their liquidity ratios, after the big cuts recorded last year. Very broadly, net receipts have been running at a level sufficient to finance lending without any significant change to the level of liquid funds. By the end of May the total assets of the societies had increased to an estimated £41.91bn.

With the year half way, it seems unlikely that societies will be able to repeat last year's record lending performance.

In 1978, they advanced £8.7bn to over 800,000 home buyers, but it seems clear that even if they repeat the 1978 figure—by no means certain—the number of mortgages advanced could be down by as much as 100,000.

Kenya President's visit will test Britain's Africa policy

BY MARK WEBSTER

PRESIDENT Daniel Arap Moi of Kenya is expected to try to dissuade Britain from recognising the new government in *Zimbabwe Rhodesia during his* state visit to this country, which started yesterday.

In what is seen as an important test of her African policy, Mrs. Margaret Thatcher will have talks with the Kenyan head of state today which are expected to be dominated by Britain's attitude towards the Salisbury government.

Kenya has long been regarded as one of Britain's strongest allies in black Africa. Relations between the two countries were always very close under President Jomo Kenyatta and they have continued to be good under President Moi.

Yesterday, the President made the ceremonial drive from Victoria Station to Buckingham Palace to meet the Queen and afterwards went to Westminster Abbey to lay a wreath on the tomb of the Unknown Soldier.

Kenya has always taken a moderate line in African politics but has made it known that she will join other African countries in opposing moves by Britain to recognise the new government in Zimbabwe Rhodesia.

The visit is important, for Mrs. Thatcher is setting the tone of her future African policy; but is also vital for President Moi as his first state visit to a foreign country since he took over from President Kenyatta last year.

Irate cabbies get fares pledge

BY MAURICE SAMUELSON

THE PRIME MINISTER yesterday assured London taxi drivers that they would shortly be offered a "substantial and long overdue increase" in fares to help to meet higher fuel costs.

However, Mrs. Thatcher's letter to the Licensed Taxi Drivers Association came too late to halt militant cabbies from causing big traffic jams around Trafalgar Square shortly before the Queen and President Dawie Arap Moi, of Kenya, drove past.

Hundreds of cabs drove round the square, threatening to obstruct the royal party's passage through The Mall on the last stretch of its ride from Victoria Station to Buckingham Palace. However, they agreed to leave the area on instructions from their leaders after the police threatened to tow away any abandoned cabs.

Further congestion was *caused by a police decision* to clear the royal route an hour earlier than planned.

In her letter to Mr. Arnold Sandler, the association's chairman, Mrs. Thatcher said that the Home Secretary hoped "to be able shortly to make an order allowing for a substantial and long overdue increase."

The association, on behalf of London's 17,000 licensed taxi drivers, had been offered an 18 per cent fare increase during talks with Mr. Timothy Raison, Minister of State at the Home Office. It rejected that and is sticking to its 28 per cent claim, lodged last October.

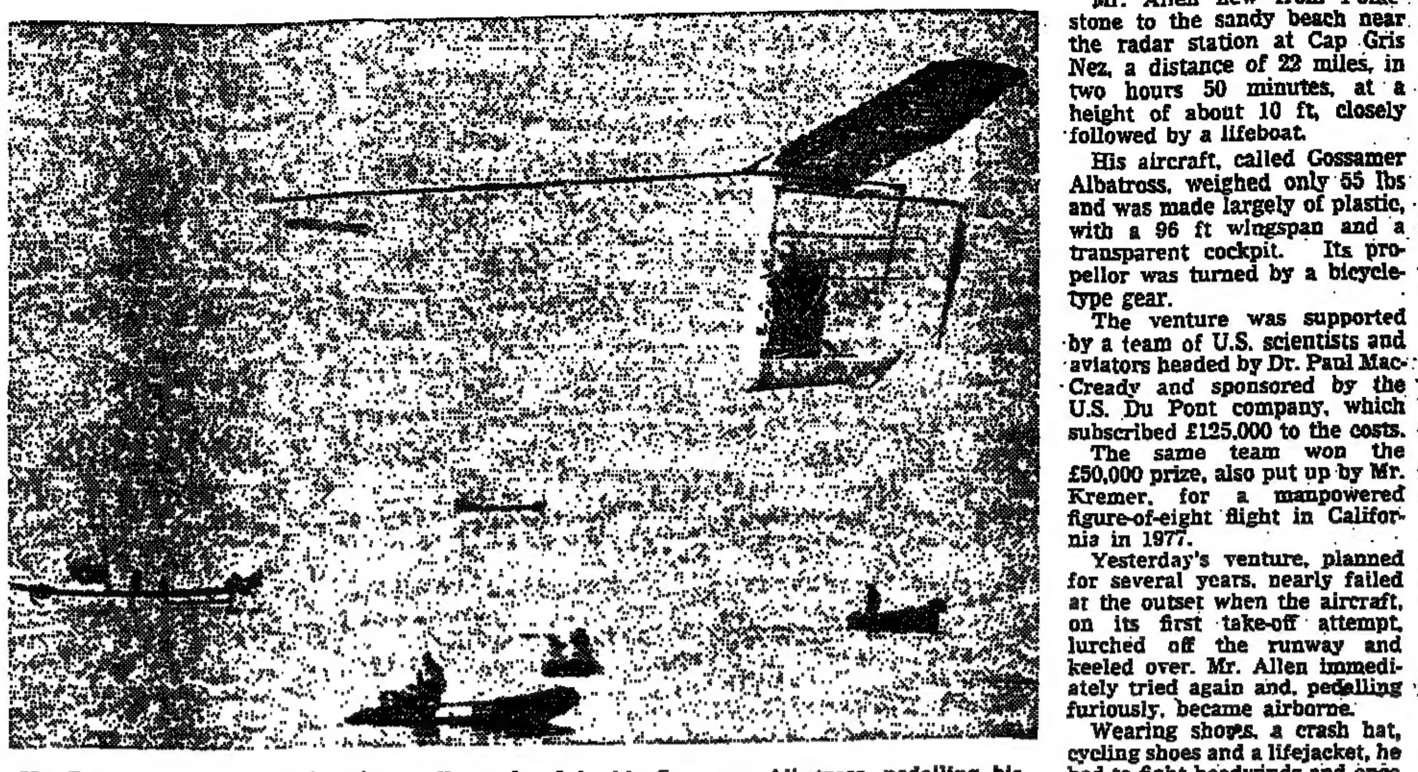
Welcoming Mrs. Thatcher's letter, Mr. Harry Feigin, the association's general secretary, said it had been sent on Monday but that he had received it only after yesterday's demonstration, which he watched from a radio-controlled "command van" in Northumberland Avenue.

U.S. aviator legs it across the Channel

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRYAN ALLEN, a 26-year-old cyclist from California, yesterday pedalled his way into aviation history by flying the English Channel in a lightweight plastic aircraft powered only by his leg muscles.

By doing so, he won the £100,000 prize offered by Mr. Henry Kremer, an industrialist, for the first "manpowered flight" across the Channel.



Mr. Bryan Allen, from California, totally enclosed in his Gossamer Albatross, pedalling his weary way across the Channel yesterday, closely escorted by wary watchers in little boats.

Mr. Allen flew from Folkestone to the sandy beach near the radar station at Cap Gris Nez, a distance of 22 miles, in two hours 50 minutes, at a height of about 10 ft, closely followed by a lifeboat.

His aircraft, called Gossamer Albatross, weighed only 55 lbs and was made largely of plastic, with a 96 ft wingspan and a transparent cockpit. Its propellor was turned by a bicycle-type gear.

The venture was supported by a team of U.S. scientists and aviators headed by Dr. Paul MacCready and sponsored by the U.S. Du Pont company, which subscribed £125,000 to the costs.

The same team won the £50,000 prize, also put up by Mr. Kremer, for a manpowered figure-of-eight flight in California in 1977.

Yesterday's venture, planned for several years, nearly failed at the outset when the aircraft, on its first take-off attempt, lurched off the runway and keeled over. Mr. Allen immediately tried again and, pedalling furiously, became airborne.

Wearing shorts, a crash hat, cycling shoes and a lifejacket, he had to fight headwinds and once had to make a detour to avoid a tanker.

On landing, Mr. Allen was said to be in good shape, although tired. The aircraft was undamaged by its landing.

The £100,000 prize, held in trust by the Royal Aeronautical Society (whose officials monitored the flight), will be handed over later this summer after verification of the official observers' records.

Mr. Allen was three times heavier than his aircraft. He had trained hard for the flight, cycling every day the equivalent of 70 miles for more than two hours — the expected time of the flight under ideal conditions. He said before the flight that he felt fit enough to pedal for four hours if necessary.

Manpowered

Mr. Kremer has been interested in man-powered flight for many years. He first offered a £5,000 prize in 1959 for a flight round a figure-of-eight course, later increasing the sum to £50,000.

Many attempts were made to win it, some weird contraptions never even getting off the ground. Dr. MacCready designed and built in 1977 the successful aircraft, Gossamer Condor, which was the forerunner of Gossamer Albatross, used in yesterday's venture.

Building industry deaths down

BY MICHAEL CASSELL

FATAL ACCIDENTS in con*struction during 1977 were at* their lowest level since before the Second World War, although the great majority of the 131 deaths recorded were "entirely avoidable," according to the Chief Inspector of Factories.

In the foreword to a report published yesterday by the Health and Safety Executive, Mr. Jim Hammer, the Chief Inspector, said the document represented "a catalogue of epitaphs" which made depressing reading. In addition to the deaths, there were 31,860 reported accidents—the lowest since the early 1960s.

Most of the accidents, he claimed, were preventable "by better training, better briefing, better planning on the part of those who sent these people out to work and by more imagination and less casual carelessness on the part of those who did not come back."

In another report yesterday, from the Health and Safety *Executive, devoted to health* hazards in construction, provisional figures suggest that building fatalities last year rose to 144, so reversing the better trend.

The latest figures support its theory that the downward trend in 1977 was probably a reflection of the fact that the construction sector was running 25 per *cent below capacity.* Output last year, however, showed an overall improvement.

The report on 1977 accidents suggests that 86 of the fatalities recorded could have been foreseen by a member of management and precautions could have been taken to eliminate the hazard before the incident occurred.

Eighty per cent of accidents took place in medium and small companies, most major concerns having both the motivation and resources to enforce good safety practices. The majority involved experienced tradesmen and building workers engaged in "simple, traditional activities."

The Health and Safety Executive, whose report in 1976 sparked off criticism from construction industry employers anxious to defend their safety record, says in its latest document that comments are not directed at the industry as a whole but at certain types of contractors and those of a particular size.

"It seems relevant to ask therefore whether federations, rather than rushing to the defence of the industry as a whole, ought themselves to be identifying those areas which fall far below the standards of the better firms."

Mr. Hammer said that the performance of many safety conscious companies was in stark contrast to that of many concerns who appeared to take little interest in the health and safety efforts of their representative organisations or local construction industry groups.

"I question whether it is really in the best interests of the industry to defend the accident record of the whole industry, including the laggards," he said.

Lloyd's may face new solvency requirements

BY JOHN MOORE

LLOYD'S of London will have to meet new solvency requirements for its general insurance business if draft regulations published yesterday come into effect.

The regulations, prepared in consultation with Lloyd's and the Trade Department, will be made under the European Communities Act 1972 and will apply to Lloyd's the solvency provisions of the EEC non-life insurance establishment directive.

Lloyd's will be required to meet—for the whole of its general insurance business conducted by its members—the solvency requirements which apply to insurance companies under the margin of solvency regulations made in 1977.

The calculation of the margin of solvency will take into account the assets and liabilities of Lloyd's itself as well as those of individual members. But the regulations will not require individual members or syndicates to maintain margins of solvency.

The new regulations will allow Lloyd's some latitude. Lloyd's is to be allowed to calculate its solvency margin on a basis, net of commission, while insurance companies must include commission paid. But the results are to be scaled up by a factor to be fixed by the Trade Secretary to take account of the overall level of commissions.

£29,000 for Italian violin

AN ITALIAN violin by Giovanni Baptista Rogeri, made in Brescia in 1703, sold for £29,000 (plus the 10 per cent buyer's premium and 0.8 per cent VAT to Moller, an Amsterdam dealer at Christie's yesterday in a musical instrument auction which brought in £93,608. Biddulph, the London dealer, paid £4,600 for a French violin by Claude Pierray of around 1710.

Sotheby's Belgravia and Sotheby's Bearne in Torquay held an auction in which the first part was devoted to Marine Paintings. "British Men-o'-War in a choppy Sea" by Thomas Luby sold for £5,200;

Scotland air fare increased

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is to be allowed to raise the single fare on its services between London Heathrow and Glasgow/Edinburgh by £2 to £37 from June 17, to compensate for rising fuel costs.

The Civil Aviation Authority earlier this year rejected an application by the airline for higher fares from April 1, contending that increasing costs should be met by greater efficiency unless unforeseen circumstances occurred.

But CAA now accepts that the steep rises in fuel costs in recent weeks constitute the type of "unforeseen circumstances" envisaged.

British Caledonian was allowed to raise its fare between Gatwick and Glasgow/Edinburgh from £35 single to £37 from April 1.

Research finds 25% fuel savings for heavy lorries

BY LYNTON McLAIN

COMMERCIAL vehicles including heavy lorries would use 25 per cent less fuel with better driving and some other minor *improvements. Government* scientists said yesterday.

The greatest improvement, they say, would come from better use of lorry capacity. Many vehicles travelled half empty, and improved loading would cut fuel bills by at least 15 per cent. A change from cross-ply to radial and other tyres, and better driving could save 5 per cent of fuel.

Vehicle designers also had a part to play in fuel saving, through more aerodynamic shapes for lorries and improved power transmissions.

Fuel conservation is now a major feature of research at the Government's Transport and Road Research Laboratory at Crowthorne, Berkshire, which opens its doors to industry visitors today until Friday. Saturday is the public open day and visitors may try their skill at efficient driving to save fuel on electronically-monitored saloon cars.

A BL Allegro family hatchback is fitted with a micro*processor data monitor in com*parative tests with diesel- and petrol-powered VW Golf saloons.

Test drivers are asked to drive normally, around a simulated urban high street before attempting a course with instructions to economise on fuel as if the tank was nearly empty.

Early results show an immediate cut of 10 per cent in fuel — all attributable to energy-conscious driving.

The findings have contributed to the laboratory's plans for short, medium and long term energy savings in transport.

Road transport accounted for 26 per cent of Britain's energy consumption last year, a rise of 6 per cent in five years. Other forms of transport accounted for 8 per cent up a third compared with 1972.

But 50 per cent of the total energy bill for transport could be saved by better use of vehicles, the laboratory said.

Over all types of vehicles, better driving could yield at least 12 per cent in fuel savings *by 1984. Also by cutting back* by half their motoring, private car owners could contribute a full 15 per cent to total energy savings.

Other conservation measures under consideration include transferring half of all car passenger journeys to buses and transferring half all long distance freight to rail.

By 1989, the laboratory expects a move to smaller cars, with an average consumption of 40 miles per gallon. The cars would probably have more efficient engines—perhaps based on the diesel—better tyres for improved rolling, sleeker aerodynamic shapes and of improved breaking systems. The energy used by breaking would be stored for use

In 1990, the best hope for fuel savings in transport would come from halving of energy losses due to urban congestion.

Welsh radio backers to cut holdings

By Robin Reeves, Welsh Correspondent

THE FINANCIAL backers of Cardiff Broadcasting have agreed to reduce their shareholdings to open the way for wider financial participation in the Welsh capital's local commercial radio station.

Mr. David Williams, chairman of the company, confirmed that a prospectus will be issued in September inviting the Cardiff public to invest in the venture, which was awarded the franchise by the Independent Broadcasting Authority in April.

The move is another step towards fulfilling Cardiff broadcasting's pledge to establish a community-based radio station.

In principle, no investor will hold more than eight per cent of share capital amounting to £500,000.

Control of the company is already split equally between the financial backers and the Cardiff Community Trust which has emerged from a series of public meetings.

NEWS INTERNATIONAL CONSIDERS EAST END SITE

Sun may leave Fleet Street

BY MAX WILKINSON

NEWS INTERNATIONAL, publisher of The Sun and News of the World is on the point of deciding whether to move out of its Bouverie Street building near Fleet Street to a new site in East London.

Mr. Bert Hardy, managing director, said yesterday that the company was now negotiating a price and contract terms for a site near St. Katherine's Dock and for a new building there.

He said: "We have the offer of a suitable site and are negotiating with builders, but it is one thing to decide where you would like to go and another to decide whether you can afford it." A decision is expected within a few weeks.

The cost of the whole operation including the new plant and machinery is believed to be around £50m.

News International abandoned a plan last year for moving into a site near to Kings Cross in Camden. One difficulty was the restrictions and conditions which the Labour-controlled Camden Council wanted to impose on the venture.

It is understood that the company wants to move its whole operation including reporting and administrative departments out of the cramped and antiquated Bouverie Street building into a new headquarters.

If the deal goes through, completion of the new building can be expected to take about four years. During that time, the management will probably have to face the difficult question of whether to equip the new building with modern computer-driven typesetting machines.

The Sun has as yet made almost no moves towards the new technology, which, in theory at least, can be operated with many fewer people. However, the experience of its main rival, the Daily Mirror, in introducing computer typesetting and electronic page make-up has been far from happy. For a variety of reasons, the Mirror has been unable to achieve the performance that it hoped for out of the new techniques, and has recently abandoned full page make-up on television screens.

At present, the News International management is taking a very cautious stance on the subject of new technology.

It is having an anxious time trying to negotiate the use of full page facsimile transmission equipment between its London works and a proposed new printing plant in Glasgow.

The equipment would allow all the page images to be transmitted to Glasgow without the need for typesetting in Scotland. However, the Society of Graphical and Allied Trades in Scotland (SOGAT) wants typesetting to be done in Scotland.

The company plans to instal printing presses, bought through an agent, from the Daily Mirror in London, in its Glasgow warehouse. Sources outside the company suggested that the whole project could be abandoned if agreement is not reached with the unions.

However, Mr. Hardy would not comment on this. "I do not accept that we have such a problem," he said.

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Chrysler offers 13% package

BY OUR LABOUR STAFF

RYSLER UK offered its 00 employees a package yesday worth about 13 per cent the company's wage bill in y to claims for between 22 25 per cent.

he company — which still more than 800 workers at Ryton plant, Coventry, on t-time working after the apse of the company's lian market — has put the l to the workers in two ns.

can be paid as a rise of per cent on basic rates, from 1, with consolidation of pay policy supplements, implementation of a parity scheme, restoration of differentials and standardisation of overtime and night shift premiums.

Or the money can be taken as an across-the-board 8.25 per cent increase, which would not be consolidated for overtime and pensions. But the premium, parity and differential payments would be paid.

These are outstanding commitments from the previous years of pay policy, which the company promised to implement as soon as pay policy allowed.

The company said yesterday: "The cost of meeting these commitments alone is more than £7m, the equivalent of an 8.4 per cent increase in the annual wage bill."

"We have told union representatives that we are making this offer in the light of substantial losses for the past five years and the forecast of a further considerable loss for 1979, largely due to the effects of the Iran crisis."

Chrysler UK—taken over by Peugeot-Citroen last year—has lost at least an estimated £85m in the past three years.

"To do this it is essential that we achieve continuous production, increase our market share, improve efficiency, and limit our expenditure on overheads to essentials," the company said.

Whichever offer was preferred, it must be taken by all employees at all sites.

Union claims included a demand for workers to be allowed to lease company cars at preferential rates, and a claim for a £20-a-week rise. The company car claim was dismissed by Chrysler as "unrealistic."

Bid to reopen Scottish bank pay talks

BY NICK GARNETT, LABOUR STAFF

TTISH BANK employees trying to reopen pay talks luded less than three ths ago, because of the r made to staff in the lish clearing banks.

e Banking, Insurance and nce Union has submitted the re-opener claim to the Scottish clearers who will view it as part of an attempt by the union to mount leapfrogging claims by playing off the Scottish banks with their English equivalent.

Mr. David Paterson, the union's deputy general secretary with responsibility for Scottish employees, said the union was prepared to have its settlement date moved from April 1 to July 1, the current *settlement date for the English* clearers, as a trade-off for extra money.

Scottish employees' received an 8.5 per cent rise, together with 5 per cent to remove pay anomalies between the Scottish and English clearers. There was also 3.5 per cent consolidated to buy out unconsolidated 5 per cent productivity payment.

The English clearers have offered 11 per cent new money to their 200,000 staff, together with the full consolidation of their 5 per cent productivity payment. This offer has been rejected by all the clearers' staff bodies.

The union's Scottish representatives say the differential between England and Scotland has now been effectively res*tored by the offer.*

Mr. Leif Mills, the union's general secretary said yesterday that if the banks proposed a change in settlement dates, he would prefer a common settlement date of May.

The banks show no signs yet of making any attempt to improve their money offer. An earlier settlement date for the English clearers would be advantageous to the banks, however, by improving their ability to recruit school-leavers through the publication of new pay scales.

Decca unable to afford pay deal

BY PHILIP BASSETT, LABOUR STAFF

DECCA, the electronics group, has told its manual and white-collar workforce that it cannot afford to reach a pay settlement this year because of cash flow problems, union officials claim.

Decca said yesterday that the company was still in negotiation with the trade unions *on this* year's settlement, which is due on August 1.

Union officials say, however, that staff representatives were called in by the company earlier *this month and told* there would be no negotiations for a settlement and no increase in August.

If the position improved though, the compay might well negotiate next April.

Some union officials are convinced that the company can afford an increase, and warned yesterday that anger among the employees might lead to industrial action.

Union officials are also concerned that they have not been officially informed as yet of the company's plans, and that the announcement was originally made to staff representatives rather than full-time officials.

The Association of Professional, Executive, Clerical and Computer Staff has called a staff representatives' meeting for Friday to discuss the issue, and has circulated other unions, including the Association of Scientific, Technical and Managerial Staffs, the Amalgamated Union of Engineering Workers and TASS, the white-collar section of the AUEW, to set up *joint meetings.*

Mr. Bill Hanmer, industrial relations director, said yesterday that the company's cash position had not been mentioned in the discussions, which were *still continuing, with the unions.*

Decca reported more than halved six months' profits in January, and warned that full-year profits would be considerably lower than last year's pre*tax figure of £12.3m. The group* blamed industrial action in its navigator and radar companies.

Tube strike still on

RAIL UNION officials warned *yesterday after joint* talks with London Transport and officials of the Advisory, Conciliation and Arbitration Service that the Tube strike set for next Monday was still on.

***Mr. Charlie Turnock,* assistant general secretary of the National Union of Railwaymen, said that nothing had happened which would allow the unions to call off the strike. But Mr. John Cope, London Transport chief industrial relations officer, said that there was still time before the strike date.**

Cement industry claim goes to arbitration

BY NICK GARNETT, LABOUR STAFF

PAY *claim for process* kers in the cement manufuring industry is being taken bitration following rejection a pay offer valued by loyers at more than 16 per on the wages bill.

e General and Municipal kers' Union, the biggest in industry together with the nsport and General Workers, been preparing to *ban over-* in protest at the offer.

Frank Earl, General and icipal national officer and tary of the union side of industry's joint council, said would have paralysed nt manufacture because of industry's dependence on time working.

e national agreement covers than 7,000 process workers e big five manufacturers—*Blue Circle, Tunnel Cement,* Rugby, Lafarge and Ketton.

Both the unions and the Cement Makers' Federation have agreed to accept the result of arbitration, which will be under the auspices of the Advisory, Conciliation and Arbitration Service.

The rejected offer raised the hourly rate of the lowest *labourer grade from* 98p to 136.86, with the highest craft grade rising from 125p to 168.64p.

These rates do not include a £4 supplement or the rises obtained during the last two years of pay policy.

Shift pay and holiday provision would also have been improved. Employers say the *overall claim is worth more than* 30 per cent.

Civil Service staff level review angers unions

BY PHILIP BASSETT, LABOUR STAFF

GOVERNMENT'S *decision* review Civil Service staff s, which could lead to a loss 50,000 jobs, was attacked rday by the unions coned.

Bill Kendall, secretary ral of the staff side of the Service National Whitley cil, which represents all 000 white-collar civil sers, said yesterday that the had "*the look and smell of* hery."

Kendall said that the re-, which will examine ways hieving cuts of between 10 20 per cent, was a political sion.

rther legislation which the l Service would have to out might upset the Prime ster's and the Cabinet's rmination to cut back the of the Service.

hen the full implications of *proposed cuts were known* the specific services which ld have to be dropped were ded, there would be an out- from all sections of the lic.

e traditionally moderate itution of Professional Civil ants will today *authorise* strial action, including a *one-day* strike and further selective stoppages.

Mr. Bill McCall, general secretary, yesterday took up an offer from the Civil Service Department to meet Sir Ian Bancroft, head of the home civil service, over one pay claim for about 20,000 scientists and another for about 40,000 professional and technical staff.

Brixton prison staff protest

THE 530 prison officers at London's Brixton prison say they will refuse to do anything except feed the prisoners today in protest over the suspension of five colleagues who are to be charged with assaulting an inmate. They also plan to occupy the prison chapel until the threat of suspending their colleagues is lifted.

"The action will mean that prisoners will not be taken to crown courts, no prisoners will be received and there will be no legal or social visits or exercise," said a Home Office official. The five prison officers are to be charged today at Brixton police station with assaulting an inmate.

COHSE to resist cuts

BY PAULINE CLARK, LABOUR STAFF

E GOVERNMENT was ned yesterday that the federation of Health Service ployees, the biggest health ice union, would resist ith all its might" any freeze its members' jobs.

r. Eric Wilson, president of 230,000-strong union, at the federation's annual confer- e in Bridlington, called on *Margaret Thatcher* "to ember her promise during election that there would be major changes in the ional Health Service."

nter-union difficulties in the lth service were underlined en delegates approved a tion instructing Mr. Albert nswick, general secretary, to o any application by the Royal College of Nursing for affiliation to the TUC. Mr. Spanswick said he could oppose it, but had no power of veto.

A further attack on public service job cuts came yesterday from Mr. Edward Alderton in his presidential address to the annual conference of the National and Local Government Officers Association in Black*pool.*

He said that it was public sector jobs and services which would be used by Sir Geoffrey Howe to pay for tax concessions.

On top of the threat to local government, the *health service* also faced a cut in funds and in administrative jobs "with the possible abolition of the Area Health Authorities."

LETTERS TO THE EDITOR

The new British Library

From Mr. R. Price

Sir,—Regular readers at the British Library science reference section, the bibliographic workshop for manufacturing industry, are faced with a constant erosion of open access material as the collection is selectively eased, weeded, reorganised, rationalised and relegated to stores in and around London. The part of the collection now housed in the "temporary" store in Lincoln's Inn Fields is covered with polythene as the roof leaks.

The Athenaeum protested even in the 1850s that "no man can write at the Museum and not one in ten can read to any good purpose." Today the library's graduate staff hang their coats in broom cupboards and manhandle a hundred tons of periodicals down 50 feet of stairways due to inadequate lifts.

The new library must be built; on the criteria by which such projects are judged, it should have been completed 10 years ago. It is a tribute to the dynamism of the library board, the procrastination of successive Ministers and the parsimony of the Treasury that my local library now provides infinitely better, although less specialised facilities, than those I use daily at the British Library.

It needed only 5 years with the energy and drive of an Italian refugee to complete the present building. Let those who seek to retain it and those they seek to influence enthuse Panizzi's principles. I want, he told a Parliamentary Committee, a poor student to have the same means of indulging his learned curiosity, of following his rational pursuits, of consulting the same authorities, of fathoming the most intricate inquiry as the richest man in the Kingdom as far as books go, and I contend that the Government is bound to give him the most liberal assistance in this respect.

R. B. Price.
28, Holland Avenue, Sutton, Surrey.

New ground rules

From the Chairman, Association of Independent Businesses.

Sir, — Samuel Brittan's "The Budget I Would Like To See" (Economic Viewpoint, June 7) shows just how far economic thinking has advanced from the old Keynesian days of crude demand management. For that reason, among others, it is the sort of Budget a lot of us out here in business would like to see, too.

All the more surprise, then, at Mr. Brittan's seeming lapse into the old thinking on the key question of reducing unemployment. I thought we were all now agreed that it depends on rather more than simply playing for an increase in crude GNP.

For some years it has become steadily more obvious that when the large-scale corporations increase output they are every bit as likely to become more capital-intensive still, and even shed labour. They are worried about the consequences themselves. Jim Callaghan, when he was Prime Minister, was worried about it: one cannot condemn the trend because British industry will be seen off by overseas competitors with higher productivity if it does not improve per capita productivity itself. And now silicon chips promise to speed the process even more.

All of which changes the old arithmetic about increases in GNP and increases in employment. They are no longer the same thing. The best way out of the trap at present seems to be offered by new and independent businesses, by their very nature more labour-intensive, and by their very scale more flexible and competitive. I suggest we are going to see some new ground rules emerge in the way mature industrial economies are run. On the one hand "employment management" will be concerned with the distribution of resources between the aspirations of new and small businesses, and the strident preservation-minded demands of old and large industries. On the other hand, "growth management" will turn into a science related to the consumption of scarce natural resources.

Brian Kingham.
Europe House, World Trade Centre, E1.

Heavy goods vehicles

From the Director-General, Freight Transport Association.

Sir, — It is perhaps Dr. L. S. Taitz of the Conservation Society (June 6) who is talking with two voices on energy policy related to transport.

He wants abandonment of any action to make goods vehicles more efficient by allowing them to operate at their designed weight. But such a move would bring energy savings per tonne of payload of 8 per cent. Equally important, there would be a potential 10 per cent reduction in total operating costs to help offset the increased price of fuel which already is working its way into the economy as a whole.

His sole argument against the change is that it might make road goods transport more competitive than rail. At the margin this may be true, but for the vast majority of rail freight (bulk and/or long-distance hauls) rail's cost advantages are far greater than any saving that might accrue from increasing goods vehicle weights.

And in any case rail is already short of fuel itself. Road transport's savings could be rail transport's gain.

H. R. Featherstone.
Hermes House, St. John's Road, Tunbridge Wells, Kent.

Transport policies

From the President The British Transport Officers' Guild

Sir,—It would be wise if the country looked upon the current hiccup in oil supplies as an indication of what is likely to be a normal situation in 10 or 20 years' time.

In the circumstances, the wisdom of reducing supplies to public transport services must be questioned. Public transport services need to be in a position to provide alternative transport for people who decide to economise on the use of private transport. To enforce cuts in public transport by reducing fuel supplies, will only ensure that many services and the use of associated resources become more uneconomic, thereby making the withdrawal of such services strong candidates when considering future cuts in public spending.

Does the country really believe that this is a logical transport policy? Should we not be using these next few years to create a transport infrastructure which would enable more flexible transport strategies to be introduced?

M. H. Williams,
Room 307, West Side Offices, Kings Cross Station, N1.

Post Office practice

From the Executive Director, Mail Users' Association

Sir,—The Mail Users' Association was surprised to learn that the Post Office's codes of practice had received such a lukewarm reception from the Director General of the Office of Fair Trading (June 7): possibly his comments stemmed from a misconception of the nature of the mail services.

The ordinary mail services are not intended for the transport of valuables and thus compensation of up to £12.50 for loss or damage seems reasonable. Registration or insurance schemes are available for more valuable items. If a higher level of compensation were to be provided for the basic mail services it would probably have the effect of increasing prices. Compensation has to be paid for and this would feed through to tariffs. The premium services would become less used with a consequent increase in unit costs, which again would be passed on to the customer.

It is too early to judge how useful the codes will be, but surely before they are criticised they should be given a fair trial, say for 12 months, so that there is some objective evidence with which to assess their usefulness.

M. E. Corby.
20 Sackville Street, Piccadilly, W1.

Fuel crisis solution

From Mr. H. Aarrestad

Sir,—It is the law of nature that there is always sufficient supply of any goods which can be traded without restriction whereas crisis of over or under-supply can be created only when prices can be manipulated.

I presume that Mrs. Thatcher does not want any oil crisis, so why does she not take this opportunity to demonstrate how the market forces work — freeing the fuel from all restrictions and the "crisis" is over. Since the present crisis is man made, the prices ought to drop quite a bit. I wish someone would tell me where I am going wrong in such a simple matter.

H. Aarrestad,
Aarrestad Exports.
28, Queensgate, Inverness, Scotland.

Closures in the regions

From the Chairman, Economy and Employment Committee, Devon County Council

Sir,—I was interested to read your Scottish correspondent's report (June 6) of the high failure rate for companies moving to the regions. This is certainly not our experience in this part of the south-west assisted area, where my council is committed to the recruitment of inward employment investment. Indeed, there is every evidence that indigenous companies are at greater risk than the newcomers.

I suspect the reason is that ours is a relatively low-key promotion and that the natural assets of the assisted area must sell themselves to newcomers. The majority of new firms build their own premises rather than renting advance factories, and again I believe that this imposes a more searching discipline upon them than using capital provided by the community.

It cannot be denied that the grants, loans and other inducements are by and large compensations for trading at a disadvantage. *All too often they tend* to obscure the fact that a project is simply not viable.

In their nature it is the major industrial regions suffering structural decline of primary industries which recruit the large units of employment and attract corresponding publicity when these fail.

Michael McGahey.
County Hall, Exeter.

Watching the screen

From the General Secretary, Association of Professional, Executive, Clerical and Computer Staff

Sir,—Mr. Woolard's comments (June 8) on the Association of Professional, Executive, Clerical and Computer Staff's agreement with NEI Parsons are totally misguided. Considerable research has been done on the impact of visual display units on the health and eyesight of operators. Research here and abroad indicates that continuous working with VDUs is undesirable. The comparison of TV viewing with VDU operation is completely invalid. How many people watch TV in a brightly lit room at a distance of two feet?

The APEX agreement with NEI Parsons leads to no overmanning but is a positive step forward in the introduction of micro-technology into offices. Our members do other work in their break from VDU scanning. We have a redeployment clause in our agreement to assist in retraining staff for other positions as necessary, and there is a joint committee of the company and APEX monitoring the introduction of micro-technology.

The suggestion that a sophisticated company like NEI Parsons would make an agreement that reduced efficiency displays a deplorable lack of knowledge about the industry. The agreement is important as it allows the company to secure the benefits of micro-technology with the co-operation of the staff in a manner that will provide mutual benefits to both sides. That is the basis upon which Britain can re-establish its former industrial lead.

Roy A. Grantham
22, Worple Road S.W.19.

Reactor design

From the director, Special Duties Risley Nuclear Power Development Establishment

Sir,—Dr. Haigh (June 5) ignores the unique advantage of the pool type sodium-cooled breeder reactor design which can, if required, safely absorb residual heat after shutdown without any supplies of water or power for the order of 10 hours. It achieves this by virtue of the large heat sink provided by the sodium pool and natural circulation both of which have been demonstrated on the prototype fast reactor (PFR) at Dounreay in Scotland. This feature eases very substantially the demands on engineered heat removal systems and station operators and is widely acknowledged to be highly beneficial.

It would indeed be very useful if there was one single *feature such* as gas cooling which had overwhelming safety or performance advantages but none has yet been found. In practice all the reactor systems receiving serious attention today can be made acceptably safe although there will be differences in the engineering features to achieve this.

A. D. Evans.
United Kingdom Atomic Energy Authority (Northern Division), Risley, Warrington.

Unfair to Solomon

From Mr. N. Sanders

Sir,—Margaret van Hattem (June 7) writes that, by dividing itself between two rival locations, the European Parliament adopts the wisdom of Solomon.

This may be fair comment on the European Parliament but is not fair to Solomon, who did not advocate dividing anything. When faced with two women both claiming to be the mother of a single child he only threatened to cut the child in half. The differing responses of the women then enabled him to identify the real mother. This fallacy is increasingly common, but the FT should know better; 1 Kings 3.27 refers.

N. W. Sanders,
Fieldway, Worster Road, Cookham, Berks.

Inflation and mining

From Mr. K. Heath

Sir,—As a mining engineer with some experience of the effects of inflation on the evaluation of mining properties, I *should like to express my* admiration of Samuel Brittan's lucid exposition in the Lombard column of June 11. The fallacy that minerals increase in real value when left in the ground is not uncommon, but I have never seen figures to refute it until now. It is on a level with the fallacy that low grade ore should be mined when metal prices are high and high grade when prices are low, to gain the highest profit.

K. C. G. Heath.
"Bearsden," Onslow Road, Sunningdale, Berkshire.

Support for families

From the Reverend Councillor D. Jennings

Sir,—I could not agree more with Mr. D. G. Lindsay's statement (June 9) that "it is taxpayers who are supporting children that are most in need of relief," although I would add the plea, "not just taxpayers."

I would, *however,* strongly dissent from the suggestion that the best way to give support to families with children *is* to restore child tax allowances, and for two primary reasons. Such allowances do not benefit families who do not pay tax and, in particular, many low paid and one parent families. Child tax allowances place differing monetary values on different children, depending on the size of taxpayers' income, and is regressive. If, for example, tax is paid at higher than the standard rate, the value of the allowance, in real terms, is more than that for the standard rate taxpayer. This, I believe, is unacceptable.

I would suggest, therefore, that the most effective and just way of supporting *families* is through a substantially increased child benefit. Furthermore, it ought to be noted, that *a child tax allowance, like child* benefit, is a form of state assistance, and it cannot be suggested that only child benefit represents "the state's responsibility . . . to provide for the children."

(Rev. Cnllr.) David Jennings,
8, Heathfield, Thringstone, Leicestershire.

Making tax cuts

From Mr. A. Nelson.

Sir,—Frank Field, MP (June 8) does not give any figures to support his allegation that only about 45 per cent of personal income is taxed, so that it is impossible to test this allegation; my experience leads me to regard it as at least highly dubious, certainly so in relation to the higher income groups, and it is in these groups that our high rates of tax do most damage.

Mr. Field's allegation that a man earning £15,000 per annum pays what he describes as "an effective average rate of 22 per cent" is, however, susceptible of examination. The crude data given, namely the man and the income, is not, of course, in itself sufficient for the purpose, but if we assume that the man in question is married, has building society interest amounting to £80 per month and enjoys no other income tax allowances, the position was as follows in respect of 1978-79:

Gross Income		£15,000.00
Building Society Interest	£960.00	
Personal Allowance	1,535.00	2,495.00
Taxable Income		£12,505.00
Tax Payable	Income	Tax
1st	£12,500.00	£4,755.00
@ 60%	5.00	3.00
	£12,505.00	£4,758.00

£4,758.00=31.72% of £15,000.00.

The effective average rate of such a man is thus almost 10 per cent higher than Mr. Field would have us believe, or, to put *it another way, he has sought to* represent his rate of tax as one-third less than his true rate.

A. W. Nelson,
Hedgrows, Orchard Road, Pratts Bottom, Kent.

TODAY'S EVENTS

GENERAL

UK: TUC economic committee discusses Budget.

Mr. Paul Channon, Civil Service Minister, meets Civil Service unions on senior pay offer.

Lord Mansfield, Scottish Office Minister, meets Unilever to discuss future of Lawsons of Dyce factory.

London Chamber of Commerce conference on new rules for business in Iran.

Mr. Michael Heseltine, Environment Minister, addresses Westminster Chamber of Commerce.

NALGO conference continues at Blackpool.

COHSE conference continues at Bridlington.

Sir Kenneth Cork, Lord Mayor of London, attends International Cable Development Corporation lunch, Guildhall; and City of London banquet for President Daniel arap Moi of Kenya, Guildhall.

Ladbrokes casino licence application resumes.

Cardinal Basil Hume addresses Press Association lunch.

National Federation of Women's Institutes' annual meeting Royal Albert Hall.

Tower of London Fair, in the Moat (to June 14).

Three Counties Show, Malvern, Worcs. (to June 14).

Overseas: Financial Times conference on World Gold in the 1980s, at Montreux, closes.

Japanese delegation led by Keidauren President Toshiwo Doko attends conference on bilateral trade, Dallas.

Annual OECD Ministerial meeting, Paris.

PARLIAMENTARY BUSINESS

House of Commons: Budget debate, second day.

House of Lords: Ipswich Port Authority Bill, second reading. Debate on social policies and *industrial strategy* (Lord Melchett).

COMPANY RESULTS

Final dividends: Alliance Investment Company. Bell and Sime. Continuous Stationery. Control Securities. International Timber Corporation. Rowlinson Construction Group. J. W. Wassall, Wedgwood, West Bromwich Spring. Interim dividends: Compair. Saatchi and Saatchi. United States and General Trust Corporation. Westland Aircraft. Interim figures: Robt. Kitchen Taylor and Co.

COMPANY MEETINGS

Hawtin, Metropole Hotel, Blackpool, 2.30. John Lewis (Partnership), 4, Old Cavendish Street, W, 12.30. Mellins 124-130, Seymour Place, W, 12. News International, Sadlers' Hall, Gutter Lane, EC, 12. Sanderson Kayser, Newhall Road, Sheffield, 12. Smith St. Aubyn, White Lion Court, Cornhill, EC, 12. Tozer Kemsley and Millbourn, 28, Great Tower Street, EC, 11.45. Arthur Wood, Bradwell Works, Stoke-on-Trent, 12.

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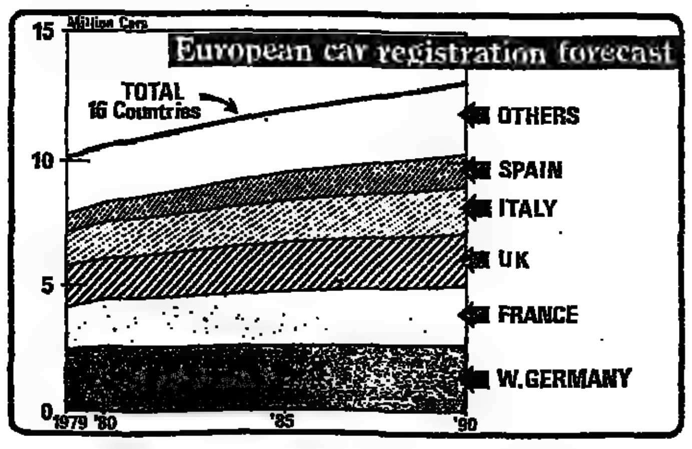
We intend
o go out
ınd get
ıim (Ford)
ınd we are
;oing to
ıass him..'



GM's $13bn drive for world sales

ERAL MOTORS, the world's :st automotive producer, is oting a $13bn drive over the decade aimed at expanding hare of world markets and ting the inadequate profit-ty of its overseas operations.

plans will, for the first bring the full weight of Detroit giant's formidable cial power to bear in the national arena and are ned to tilt the competitive ıce in many of the world's r automobile markets.

is a measure of the rtance GM attaches to this ıgy that the company is .dering the burden of such ved foreign expansion at a when the U.S. motor ıtry is facing unprecedented ıl expenditure requirements meet U.S. government l economy, pollution ol and safety regulations.

ese investment require-s, which could involve GM in some $12bn of capital tment in the next three , are already putting even finances under some ıre—as its decision to cut total dividend last suggested. The pressure s U.S. rivals from these stic capital investment . is even greater. Chrysler, ticular, faces a struggle to the burden, while Ford's on to scale back its ious European expansion may well have been nced by its U.S. financing .

s in the context of a world-growth strategy that GM's ıncement on Monday of its ıt ever overseas capital ment programme has to be That announcement of a investment programme in e, mainly in Spain and ia, is only one facet of the ıny's broader ambitions.

eady GM has announced this year to commit eds of millions of dollars ıor expansion programmes nezuela, Colombia, Mexico razil. And the new invest-in Europe comes on top :viously determined invest-programmes in its exist-uropean divisions, includ-dam Opel in Germany and ıall in the UK.

Normally reticent GM executives have made little secret of either the scope of their objectives or some of the principal factors which have impelled this renewed overseas thrust.

Mr. Alexander Cunningham, head of GM's overseas operations, pointed out in March of this year that outside of North America (the company holds a commanding 59 per cent-plus share of the domestically-built U.S. passenger car market) General Motors sold only 1.9m cars and trucks last year, a market share of 8.8 per cent. "That is only good enough

By STEWART FLEMING in New York

for fourth place behind Toyota, Nissan and Ford," Mr. Cunningham remarked, adding "General Motors does not feel very comfortable in fourth place."

GM's discomfort can be explained partly in terms of its management's own sense of failure at its overseas performance, especially when compared with its success at home, and by a growing realisation at its Detroit headquarters that as the world's automobile markets become more closely integrated, an inadequate international performance could threaten its domestic market position.

Its sense of failure abroad has been heightened by the outstanding growth overseas of Ford, its near neighbour in Detroit and the number two in the U.S. motor industry. Mr. David Healy, of investment bankers Drexel, Burnham Lambert in New York, says that GM's management has been "appalled" by how well Ford has done overseas.

Although GM beat Ford into overseas manufacturing in the 1920s, buying Vauxhall in 1925 and Adam Opel in 1929, over the past two decades Ford has carved out a bigger, more sophisticated and much more profitable world-wide motor business, in spite of being a considerably smaller company. Last year GM once again headed the Fortune 500 list of the largest industrial corporations in the U.S., with sales revenues of $63.2bn and net income of $3.5bn. Ford was number three with sales revenues of $42.7bn and net income of $1.59bn.

More striking, however, is the fact that Ford earned $770m on its overseas sales revenues of around $13bn, but GM earned only around $280m on sales of $11bn. Both companies sold 1.9m cars and trucks abroad.

It is not just the indignity of seeing its Detroit rival outpacing it overseas that bothers GM, however. Like Ford, GM has come to accept that the rate of growth of demand for vehicles is likely to be greater in many of the foreign markets than in its domestic market, where car density per head is much higher and where GM's dominant market share is increasing its vulnerability to anti-trust pressures.

GM is also putting increased emphasis on its overseas business because of a growing awareness that the changing structure of international automotive markets increasingly demands a worldwide marketing approach. The company recognises that it must keep abreast of the trend towards the "world car" concept—a vehicle which shares the same basic design and has many common or interchangeable parts as possible and which will compete successfully in many of the world's major automotive markets.

Stirrings of impatience among GM's top management at its overseas performance became most visible a year ago, when the company disclosed a fundamental reorganisation of its international management. This centralised international operations in Detroit, with the objective of improving control and co-ordination of what had tended to be semi-independent foreign divisions and boosted the status of these foreign operations in the company.

Earlier this year, Mr. Elliott H. Estes, GM's president, admitted that the company was "not proud of the fact that (Ford) is ahead of us overseas. We intend to go out and get him and we are going to pass him; that is our first objective."

A far-reaching impact on urope's sales and makers

Vauxhall's Chevette (left) and Opel's Kadett—replacement by the 'J' car

CAR manufacturer will ss future new models for the obvious reasons of eting and competition. But ıit often seems like a big ıe where gossip flourishes. a project as large as the lled J-car has been hard keep under wraps. Con-ntly, as with Ford's forth-ng Erica, quite a lot of l about GM's new small car ılready leaked out one way ıother.

is designed to replace GM's ette (also sold under the tt and Gemini names) and compete with cars like 's Erica and Fiesta, the Mini Metro from BL, Fiat's o-Strada, Chrysler's Omni-zon, the VW Rabbit-Golf Toyota's Corolla.

e J-car, according to oit, will be a compact, -wheel-drive hatchback ın with the engine mounted sversely to give as much ior space as possible.

ue to the "world car" ept, it will be sold in Asia Africa as well as North rica and Europe, so it could be assembled in the U.S. or ıda as well as Spain. Isuzu apan also might make its icular version.

ıe engine reputedly is to be ıverhead camshaft 1,600 cc-) cc unit to be made at e other plants around the d as well as at the proposed Austrian establishment, h will export around two-ds of its output. And GM's sion to site the assembly t in Spain has much to do ı its belief that it will be ponents, much more than . which will be shunted ı one international market nother in future.

makes sense to place any assembly plant where it a good "home" market on its doorstep and GM's forecasters insist that developing countries, including Spain, have the greatest potential for growth.

The chart at the top of the page, showing the kind of forecasts which have been recently circulated within GM's management in Europe, indicates an expected 4.3 per cent annual rate

BY KENNETH GOODING
MOTOR INDUSTRY CORRESPONDENT

of increase in new car registrations in Spain compared with one of 2.4 per cent for Europe (16 countries) as a whole.

At the same time, the West German market, which nearly all automotive economists agree is overheated at the moment, seems set to go through a "normalisation" process and get back to the levels of demand which really are sustainable.

This is important for GM because West Germany is its best individual European market and the one where the strength of its Opel subsidiary is a major factor. Opel has been working at over 100 per cent of rated capacity for more tha na year but still cannot cope with demand. The GM assembly plant at Antwerp which is serving all the European markets, not just Germany, and producing Vauxhalls as well as Opels, is introducing a second shift which will double its capacity to more than 1m (compared with the Opel output of 959,200 last year) and this will ease the problem.

The DM 5bn investment programme for 1977-1982, of which DM 1.5bn had been spent by the end of 1978, will also straighten some of Opel's production bottlenecks as well as modernise and refurbish its plants.

But potential new car registrations tell only part of the European automotive story. Many analysts believe that car production will not advance at anything like the same rate as sales.

And the trend which has seen the European car market rise by 10.6 per cent on the 1973 peak while output has fallen by 1 per cent during the same period seems likely to continue.

For example, the recent study by the Paris-based Eurofinance research organisation suggested that the growth path for European-built cars was in the range of 1 to 1.5 per cent a year compared with up to 3 per cent for car sales in Europe.

The difference can be accounted for by increasing imports and falling exports.

On the imports front, the developing countries will be making attempts to gain a firm foothold in Europe: the smaller US-produced cars should make an impact, and Japanese pressure will continue.

Exports will also be affected by the insistence of Governments in many traditional export markets and the developing countries that there be some local assembly. And, because it makes good commercial sense to set up a manufacturing base in the U.S. once the sales reach the right kind of level, other European groups might follow the Volkswagen example. VW's new assembly plant in Pittsburgh will be making 800 Rabbits (or Golfs in their European guise) a day which would otherwise have been shipped from Germany.

So almost certainly any new capacity GM puts into Europe will eat into some other manufacturers' production.

FINANCIAL TIMES REPORT

Wednesday June 13 1979

Local Authority Finance

Even before the return to power of the Conservatives, with their declared aim of pruning public expenditure, there was growing evidence of a change in attitudes generally to local government spending. The mood in Whitehall now suggests that closer scrutiny will certainly be the order of the day.

Life under a new regime

By Colin Jones

THE IMPLICATIONS of the change in direction at Westminster six weeks ago had already been brought home to local authorities before the Chancellor unveiled his Budget yesterday. At the beginning of last week the representatives of the local authority associations attending the Consultative Council on Local Government Finance were told in the clearest possible terms that the cash limit on this year's rate support grant would not be adjusted to take full account of the growth in local government costs, including in particular the recommendations of the Clegg pay comparability commission.

Local councils would either have to find sufficient savings to offset cost inflation or they would have to bear the excess themselves. If they chose the latter course, then—so some observers reckon—the effective rate of Government grant in 1979-80 is likely to fall from the 61 per cent level fixed last November to nearer 58-59 per cent. Moreover, given the Thatcher Government's aim of reducing the scale of public spending, local councils can look forward to the prospect of progressively lower percentage rates of grant in 1980-81 and later.

Local councils have only themselves to blame if they failed to see this coming. It is true the Callaghan Government had provided for some resumption in the underlying rate of growth in local government spending, on both current and capital account. It is also true that the outgoing Government had implicitly accepted the consequential resumption of growth in local authority manpower, which the quarterly manpower count had revealed had begun to take place about this time last year (and which the present Government is seeking to squash). But the signs of a change in the climate of attitudes towards public spending in general and local government spending in particular had been there to read.

The men and women in charge of the provision of local services, at elected and official level, have grown up in a period in which the climate of opinion regarded both economic growth generally and the growth of community services as normal. Indeed in retrospect it would have seemed that the relationship between the two was inevitable and acceptable. As affluence grows, so more is spent on services, and a growing proportion of services are those which, in most industrialised countries, tend to be provided collectively by some form of decentralised local government. In short, community services have been income-sensitive.

Proportion

In this country, for example, the proportion of national income spent on local authority services (even after allowing for the transfer to other agencies from time to time of such services as gas, electricity, local health, water, and sewerage disposal) has risen more or less continuously during periods of peace in the past hundred years. Between the 1870s and 1914, the share of Gross National Product devoted to local government services, including transfer payments, is reckoned to have risen from about 2 per cent to 6 per cent. Between the two world wars it grew from 5 per cent to nearly 10 per cent. Between the late 1940s and the mid-1970s, the proportion rose from 8-9 per cent to about 17-18 per cent.

One can assume that this process cannot go on for ever. There is a limit to the weight of taxation—central or local—which people are prepared to stomach. California's Proposition 13 may be regarded as an American phenomenon, but broadly similar currents of popular feeling can be detected in this country. It is true that local councils have been increasingly encouraged by pressure groups, by national politicians, and by their own aspirations to raise standards of service and to develop new services. But they are also now being urged not least by substantial sections of the electorate to have a very shrewd eye to what it all costs—to curb their demands on the tax (rate) payer while meeting the demand for services.

In total, the electorate is now speaking with two different voices instead of just one. At the least, local councils should now reckon on the climate of opinion favouring a moderation in the long-run real rate of growth in local government spending to something like the long-run real rate of growth in the economy generally — and that could well be rather less than even this country had been accustomed to experiencing between the late 1940s and the early 1970s. At the most, they may have to face up to the implications of a less-than-average growth rate and a gradually falling share of the national income.

The arrival of a Conservative Government with the avowed intention to cut public spending has been greeted with hostile indifference by the leaders of some (mostly Labour-controlled) councils. But central government has considerable powers in reserve to make its influence felt upon local decision-making, should it decide to use them. The Conservatives appear to have pushed the idea of abolishing domestic rates well down their pecking order of priorities, if indeed it has not been abandoned altogether.

This is just as well, since abolition of domestic rates would inevitably oblige the Government to remove from local councils the power to decide the level of the general rate paid by (voteless) industrial and commercial property owners, and with no local tax base of their own local councils would become merely agents of central government.

In opposition the Conservatives set their faces against the Layfield Committee's recommendation in favour of the "unitary grant" in place of the present grant system. In power they may develop a different attitude to the unitary grant for, though some awkward technical problems would have to be overcome, it would at least serve to give central government a stronger leverage than now exists over the totality of local government current spending.

A further possibility would be the imposition of cash limits not on the grant central government pays to local government but on each council's overall spending programme. Like the unitary grant, this would call for a more acceptable method of judging local needs than now exists and it would pose considerable administrative problems for Whitehall. But it is an idea the Conservatives had at least toyed with while in opposition.

Either way it would seem prudent for local councils to think through the implications of severe restraint on spending not just for a while, as in the mid-1970s, but over a much longer run. Public pressure for more services and better standards is unlikely to diminish just because there is also public (and central government) pressure for tight limits on spending. Instead of matching rate and grant calls to spending programme, as in periods of the 1960s and 1970s, it will now be much more a question of matching aspirations to the funds available.

This could be no bad thing. It could put more drive into the search for better value for money and better use of manpower and physical assets. With 16-17 per cent of the national income being spent on the provision of unmarketed services (plus transfer payments), it would be remarkable if the level of efficiency left nothing to be desired.

A continuing squeeze could also lead to a reconsideration of priorities between and within spending programmes in the light of changing perceptions of social need with a view to switching resources from services which command a diminishing priority to those which have become more compelling.

There may be a case for charging (or charging more like an economic price) for certain services, or even for privatising them—ie, pulling out altogether. It is ridiculous, for example, that more than £6bn should be spent yearly on indiscriminate subsidies for housing in both the private and public sectors. To cope with real social need, a far smaller figure would be sufficient.

The provision of leisure services is another (and rather newer) area where reconsideration may be needed. Many local leisure centres are under-used —or used by sections of the public other than those their originators hoped to serve. And the entry of local councils into the leisure business has frightened off private sector entrepreneurs who might otherwise have catered for those sections of the public which do use the local council's facilities.

These are but two examples. In an age of apparent expansion, the provision of community services might well have seemed to be an ever-growing task. In an age of restraint, it will have to be a matter of focusing resources on the most urgent tasks.

Shifts in borrowing

LOCAL AUTHORITY borrowing has undergone considerable change in the past few years, under two dominant influences. First, local councils have been obliged to scale down sharply the volume of their new investment spending. Secondly, they have been required to finance a larger proportion of their new borrowings with funds of a longer average maturity. Both pressures have emanated from Whitehall. Both have had significant repercussions upon the local authority capital markets.

The decline in the volume of capital spending stemmed from the last Government's search for public expenditure economies in the mid-1970s. It is always easier to prune new investment projects than to rein back on current expenditure, and it is also easier to be tougher towards local rather than central projects. For local current spending the aim was merely to halt the underlying rate of growth —at least for a while, as far as the last Government was concerned—while capital spending was chopped back rigorously.

In public expenditure terms the volume of local capital spending was reduced from £6bn a year at the peak in 1974-1975 to £3.6bn in 1978-79 (both figures at 1978 survey prices).

Over the same period, however, local council's internal funding of capital expenditure rose dramatically, both relatively and in absolute terms. As the accompanying table shows, their aggregate self-financing ratio rose from less than 16 per cent in 1974-75 to 74 per cent in the first nine months of 1978-79 —or almost fourfold in straightforward cash terms from £679m to an annual rate of almost £3.4bn.

This increase reflected a number of factors—spending cuts, caution in estimating for inflation, and a conscious building up of balances in a period of high and fluctuating interest rates. Its consequence, together with that of the reduced rate of capital spending, has been a very substantial drop in local councils' aggregate net borrowing requirement. As against a figure of £3.3bn in 1974-75, the net borrowing requirement in 1978-79 totalled only £386m in the first nine months: the final figure for the year is likely to have been in the £600m to £1,000m range.

Net borrowing is of course not the same as gross borrowing. Local councils also have to re-finance maturing debt and, up to about a year ago, the volume of maturing debt was still growing apace. Repayments of longer term borrowings, for example, rose from £3.6bn in 1974-75 to more than £6bn a year in 1976-77 and 1977-78. Gross longer term borrowings, accordingly, increased from £6.6bn in 1974-75 to £7.8bn in 1977-78, as the table shows. The increase would have been even greater had new capital spending programmes not been cut back.

To that extent, therefore, the reduction in these programmes has helped to ease local treasurers' task in implementing the new voluntary code of practice for long-term borrowing which came into effect in August, 1977, and which requires them to gradually extend the average maturity of their new longer-term borrowings.

Strictly speaking, observance of the code is voluntary, but the extra discipline it represents was almost certainly unavoidable. The Treasury had become greatly exercised by the shortening maturity of aggregate local authority debt. As interest rates rose, so local treasurers went shorter and shorter to avoid having to commit themselves at high rates for long periods. Their response was understandable but the Treasury was worried by the prospect of local authorities having difficulty in raising finance should a major crisis arise—such as another Mersey Docks and Harbour Board (or Clay Cross) affair.

By the end of March 1977, as much as £14bn of the total local outstanding debt of £31bn fell due technically within one year and another £6bn in the next two years. Only £11bn fell due after three years. The Treasury hinted at imposing restraint by introducing new provisions in the Control of Borrowing Order but was persuaded by the local authority associations to accept their offer of introducing instead their own voluntary code.

The provisions of the code are not easy to summarise but the central element requires local councils to organise their new longer-term borrowings so that the average period to maturity is four years in the year to March 1978, five years in 1978-79, six years in 1979-80, and seven years after March, 1980. The supplementary provisions are important, but they do not alter the underlying thrust towards longer books.

The code focuses on new longer term borrowings and thus only indirectly (and gradually) on outstanding debt. But already by March 1978 (the latest date for which details are available) the effects were beginning to show through. Aggregate debt falling due technically within one year had fallen from £14bn the year before to £13bn, and debt with a maturity of three years or more had risen from £11bn to £14bn.

In the case of new longer term borrowings, the effect has been more dramatic, as the table shows. The proportion raised on a maturity of up to two years has declined from 56 per cent in 1976-77 to barely 20 per cent in the first nine months of 1978-1979; and borrowings raised for five years or more have increased from 25 per cent to 50 per cent.

Behind these statistics lie several interesting developments in the way local authorities have been raising funds on the markets. The switch to longer term money has reduced local treasurers' recourse to local loan markets (though some have retained at least a footing in the personal savings sector so as not to lose touch with this potential source of funds); it has also led to the virtual demise of the straightforward local bond and local mortgage.

In their place, the money market has tapped an entirely new source of five to seven year money in the form of the syndicated bank loan on variable rate terms (such as 3 months and 6 months Libor). By devising instruments which are more familiar than local authority bonds and mortages

CONTINUED ON NEXT PAGE

LOCAL AUTHORITY BORROWING

	1974/75	1975/76	1976/77	1977/78	1978/79*
Capital expenditure	4,322	4,528	4,073	3,584	2,413
less revenue surplus	679	1,918	1,683	1,980	1,786
gov't. capital grants	264	166	196	206	167
adjustments	70	5	201	−60	74
Total net borrowing	3,309	2,439	1,993	1,458	386
from government	1,136	1,178	627	1,063	440
other sources	2,173	1,261	1,366	395	−54
as long-term	2,996	2,576	1,275	1,767	454
temporary	313	−137	718	−309	−67
Gross long-term borrowing					
Negotiable bonds	711	833	941	925	515
Stock issues	12	199	168	382	224
PWLB	1,826	2,102	1,679	2,271	1,469
Financial inst's.	2,671	3,224	3,660	3,417	1,487
Other	1,357	1,002	1,138	837	469
Total	6,577	7,360	7,576	7,832	4,164
	%	%	%	%	%
Up to 2 years	54.4	53.5	56.0	24.6	19.9
Over 5 years	33.7	31.5	25.7	39.7	50.3

* First nine months.

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Support grant under scrutiny

E Conservative Government
l come under pressure
ing the next five months, to
pt a new approach to the
hod by which central
ernment contributes to local
hority expenditure. The
sent rate support system has
d mounting criticism—
ticularly from the county
ncils—but while all the
l authority associations
e that the system has its
knesses they have been
ble to agree on an alterna-
.

hese differences of opinion
veen the associations—all of
ch are currently Conserva-
-controlled—coupled with
sheer size of the rate
port grant (£7.258bn in
/80) mean that Mr. Michael
eltine, Environment Secre-
, will have to face some
h decisions during the
ths of negotiations with the
l authorities in the Consult-
e Council on Local Govern-
t Finance which will
ede the announcement of
1980/81 grant settlement in
ember.

is final decision on the size
the distribution of the grant
not only effect the level of
s increases next April but
also provide the framework
in which the local authori-
must decide what services
can provide and with what
l of manpower. The rate
ort grant system was intro-
d in 1967-68 and has been
in subsequent years as a
ortion of "relevant" local
ority expenditure. Relevant
nditure includes total bud-
d expenditure excluding
s met almost entirely from
al government funds such
ent rebates together with
charges and capital expen-
e met out of revenue.

the current year relevant
nditure totalled £14.109bn
November 1978 prices and
aggregate Exchequer grant
again set at 61 per cent,
ting in a grant of £8.607bn
ding specific and supple-
ary grants.

e rate support grant is
ed into three parts—the
s, the resources and the
stic elements.

e domestic element in the
meets the cost to local
rities of giving domestic
relief. The level of the
stic element has remained
at 18.5p in the pound of
ggregate rateable value of
domestic properties in
nd and 36p in the pound
ales since 1975-76.

e proportion of the overall
taken by the domestic
ent has fallen, however,
9.3 per cent in 1975-76 to
cent in 1979-80 which has
to calls from the Associa-
of District Councils for the
stic element to be phased out and replaced by tax relief on rates payments or a rates allowance against tax.

The needs and the resources element in the grant are together designed to enable local authorities to levy similar rates for similar services.

The resources element is intended to compensate local authorities with low rateable resources per head of population and is set as a fixed proportion of the total needs and resources element. Some critics argue there appears to be little justification for the "arbitrary" current proportions under which the domestic element is 32.5 per cent of the total.

The needs element of the grant is intended to even out the differences between local authorities on what they need to spend because of variations in the demand for, or cost of, providing services. It is per*haps because the needs element* accounts for some 51.5 per cent of the total grant that there is so much concern over the way it is distributed.

The present distribution system is based on a complex mathematical formula for assessing individual local authorities' spending needs. Its critics argue, however, that the present system fails to distinguish between real levels of spending need, leads to substantial year-on-year changes in an individual authority's grant allocations, is too complex and difficult to understand and that its sheer complexity masks the inherent possibility of political manipulation to favour one group of local authorities at the expense of another group.

Since 1973-74 the distribution of the needs element to local authorities has been conducted on the basis of a statistical formula based on the so-called multiple regression analysis principle. The basic objective of this system is to use actual spending as a surrogate for spending need.

But local authorities do not simply receive a grant based on how much they spent the previous year for if that were the case the more spent the higher the grant allocation would be and there would be no incentive to control expenditure.

Seeks

Instead regression analysis seeks to identify "characteristics" of local authority expenditure which are associated with greater spending need and base the grant on these characteristics. Following a limited survey of actual spending, "spending need" is identified using a range of factors including for example, social and demographic factors such as the number of school pupils or population density.

Nevertheless the system's critics argue that despite the safeguards the approach still tends to benefit high spenders and penalise the thrifty. In addition they argue that the inclusion, exclusion, or weighting of one factor against another introduces non-objective criteria into the analysis and can lead to wide variations in grant from year to year.

The system also relies on sometimes outdated and inaccurate data from, for example, the 1971 census, although it is likely that the same problem would apply to alternative distribution systems.

The comprehensibility of the system is not aided by additional refinements and special provisions which affect the amount of grant paid to London. To some extent past criticisms of the present system have been accommodated by a series of adjustments introduced by the last Labour Government. In 1978-79 a "safety net" provision was introduced to ensure that no one authority lost grant worth more than a 2p in the pound rate in one year—a provision continued in the current year which together with a damping mechanism is designed to steady wild variations in grant from year to year.

In addition, for the current year Mr. Peter Shore, Mr. Heseltine's Labour predecessor, had bowed to pressure to pay part of the needs element direct to the district councils rather than, as previously, to the county councils. Opponents of this new arrangement had argued that direct payment to the districts would lead to a "*spending spree*" by the district councils.

Balanced

It is, however, clear from figures on the level of rate increases in 1979/80, collected by the Rating and Valuation Association that the non-metropolitan districts have not increased spending as a result of this "windfall." In broad terms increased rate precepts from the county councils, caused by the adjustment, have been balanced by a reduction in district rate precepts. But despite these changes many *criticisms of the present dis*tribution system still remain.

The district councils believe the present system is too complicated, yet feel that without a total re-appraisal of the financing of local government *there is no viable alternative.* The metropolitan districts have traditionally benefited from the system operated under the last Labour administration and are similarly not impressed by alternative systems.

Perhaps not surprisingly it is the shire counties—which have lost substantial grant aid under the present system to the urban and metropolitan areas — that most vigorously oppose it. They alone among the local authority associations call for an entirely different distribution system based on the service-by-service approved in which the numbers in pre-determined "client-groups" would be used to determine grant distribution.

Such a system would relate grant more directly to provision of particular services incorporating some estimation *of what standard of service* should be provided and how much should be spent on a particular service. But again such an approach is itself not without its critics and neither the district councils nor the metropolitan authorities would wish to see the simple *client* system *adopted.*

The Centre for Environment Studies argues, *in its latest re*view, that while the service-by-service approach would avoid some of the problems of regression analysis as well as having advantages of its own there are a number of key drawbacks in*cluding the requirement for* much more detailed data than are at present available.

The authors of the study conclude that "the service-by-service approach does offer scope for introducing improvements into the present grant system but to extend it to all, *or nearly all, of the wide range* of services which local authorities provide is not likely to prove fruitful."

At the same time they consider there is little scope for improving the existing regression system and restoring confidence in the method. Given this ostensible impasse the authors suggest a mixed approach based on dividing services into two groups some of which would be treated on a service-by-service basis and the others to which a simple singular formula would be applied.

Some combination of alternative distribution system might provide a solution to some, if not all, of the existing problems of the existing distribution system. But it is unlikely that in the short term any formula could be found which would satisfy all the local authorities —regardless of their political complexion.

While it seems almost certain that eventually some changes must be made to the existing system, and that Mr. Heseltine will be pressed to make such changes this year, it remains unclear whether the Govern*ment will be willing, or able, to* embark upon such drastic changes in the short term.

Paul Taylor

Housing battles ahead as policies clash

THE GOVERNMENT'S plans to make council house purchase by tenants easier and cheaper has quickly run into stiff opposition from Labour-controlled councils which say they will resist to the hilt enforced sales of council houses.

The first salvo in what looks like becoming another bitter struggle between local and central government was fired within two *weeks of* the election. On the eve of the Queen's Speech Mr. Norman Morris, leader of the Labour-controlled Manchester City Council, warned that Government would face a major stalling operation if it attempted to introduce legislation forcing local authorities to sell council homes.

He said that Manchester—which has put a total ban on council house sales—and other Labour-controlled authorities would do everything in their power to prevent this taking place. Local authorities would be in no hurry to implement Government legislation on council house sales, he said.

However Mr. Michael Heseltine, Environment Secretary, has already announced measures allowing local authorities to sell council houses at discounts between 30 *per cent to 50 per cent below* market price and legislation giving tenants the right to buy their own homes will be introduced later this year.

But the Government undoubtedly faces a major problem following the unexpected success of Labour in the recent local elections, which saw control of a number of key local authorities switch from Conservative to Labour.

The greatest opposition may be expected to come from the crucial metropolitan and large district councils which control a large number of council houses and are more likely to suffer from serious housing problems.

Strongest

Labour, following the local elections, controls six of the nine large district councils and here Government may meet the strongest opposition to its council house policies. Labour also controls 17 of the 36 metropolitan against 13 controlled by the Conservatives. It now seems likely, however, that the Conservatives will control the balance of power in the majority of the remaining six split metropolitan councils.

But opposition is not just restricted to Labour authorities. There are indications that some of the larger Conservative-controlled councils in housing stress areas are becoming increasingly concerned about the prospect of blanket legislation giving tenants the right to buy their homes. Labour representatives within the Association of Metropolitan Authorities are attempting to use this issue to try to drive a wedge between these Conservative Councils and the Government.

Mr. Heseltine plans to mute any opposition from the local authorities by making the new legislation so watertight as to preclude any of the delaying tactics suggested by Mr. Morris in Manchester.

But he would do well to bear in mind the long campaign fought by a number of Conservative councils against the last Government's plans to intro*duce comprehensive education.* It is also worth remembering that the current low level of council house building is largely a product of political dogma, with Conservative local authorities refusing to spend resources allocated to them for a particular use by a Labour *Government.*

The sale of council houses is a major plank in the Government's plans to raise the level of home ownership. About 54 per cent of the country's housing stock is owner-occupied and the Conservatives intend that this figure should rise to nearer 70 per cent. They argue that not only is the sale of council houses socially desirable, providing people with the independence, mobility and security which they seek, but will also provide a major saving for the Exchequer with council housing consuming some £4bn of subsidies a year.

The sale of council houses would provide a once-for-all windfall gain for the local authorities. The Conservatives say that this money, if invested, should show a greater return than the rental income received *from council housing once the* cost of repairs, maintenance and debt service are taken into account.

Labour argues, however, that valuable community assets will be sold at bargain prices which are much too low to finance their replacement. Even so, their arguments against council house sales remain largely social rather than financial. They believe the better off will be helped at the expense of the less well off. It will be the better class house which will be sold leaving a residue of poorer quality council homes in less *desirable areas.*

To support their council house sales policies the Government intends to introduce measures providing for mortgages of up to 100 per cent — either from local authorities or, as the Goverenment would prefer, from building societies.

The Government still has to tackle however, the problem of improvement grants. It has estimated that a fifth of the housing stock in England alone is in need of repair and attention while the current cost of providing basic amenities like bathrooms is in the region of £1bn. But bodies like the National Home Improvements Council (NHIC) believe there are major shortcomings in the current system of providing State grants for badly needed rehabilitation work.

Discourages

The NHIC say that sums being made available are too *low and have not taken full* account of the sharp increase in building costs in recent years. Also the process of administering grants, with local authorities as the supervisory body, has become too complicated and discourages many people from applying for aid.

This argument appears to be supported by annual figures showing the level of successful grant applications since 1969. These rose to a peak of 237,976 in 1973 but have since fallen sharply to 68,500 in 1977.

It can be expected however that the Government will provide new measures on improvement grants in its forthcoming Housing Bill.

Perhaps the least contentious of the Government's housing policies is its decision to introduce a "tenants charter" which can be expected to embody a number of the provisions contained in the last Government's Housing Bill—lost when the election was called. The charter is likely to pay special attention to the responsibilities of tenants and call for greater liaison between tenants and local authorities over the management of estates.

It will also make it easier for tenants to find alternative public authority accommodation when they are forced through job changes to move from one region of the country to another.

While the sort of measures to be included in the proposed tenants charters are unlikely to raise any major opposition and will be widely welcomed the same cannot be said of the problems surrounding council house sales and a bitter struggle lies ahead.

Andrew Taylor

Shifts

CONTINUED FROM PREVIOUS PAGE

to international banks versed in Eurodollar syndications, money brokers have been able to mobilise substantial new funds for local authorities which had not previously been available to them and which are also not available from other sources.

This has been yet one more instance of the flexibility with which capital markets respond to new demands and new situations. It has however not been wholly painless. Although variable rate loans have consistently proved to be a cheaper source of funds than fixed rate loans, it is not easy for local treasurers to estimate in advance the cost of debt servicing for budget purposes and thus, too, the consolidated loans fund rate they should charge internally.

There is also the question of for how long local treasurers can expect to be able to have recourse to syndicated bank loans. As the seven years' average maturity target approaches (from the end of March next year), local treasurers will presumably seek to balance their books by going for longer money from the Public Works Loans Board and perhaps also by fixed rate stock issues (rather than floating rate issues). But if industrial demand for syndicated bank loans were to increase—or if some other demand were to arise, would local authorities find themselves being crowded out

Colin Jones

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ACCOUNTING

Speeding bills to users

BUSINESS systems group of Plessey Microsystems at Towcester has launched equipment that will reduce the costs and improve the efficiency of public utility consumer billing.

Plessey's Immediate Billing System (IBS) has been developed over the last two years in collaboration with the electricity supply industry and trials are currently taking place in the Greenock district of the South of Scotland Electricity Board. It is expected that consumers will start to receive bills generated by IBS later this year.

Two pieces of equipment—a portable billing machine (PBM) and a host unit—combine to provide complete billing arrangements for utilities such as electricity and gas boards.

The PBM is designed to be carried by each meter reader. It issues a bill when meter readings are keyed in and is capable of producing estimated accounts where necessary. Developed after extensive ergonomic evaluation that indicated the optimum shape, keyboard, display and carrying position, it has bubble memory to store both details of the day's work, including old readings, and information about each transaction. High print quality is produced by a specially developed thermal printer. Control of the PBM is maintained by a microprocessor enabling different modes of operation to be catered for in software and microcode.

Host equipment provides simple servicing for PBM's. It is based on the Plessey Functional Series 2000 hardware which allows district installations to be tailored to processing storage and printing requirements. Data communications facilities are available.

The complete system is designed to be operated by existing utility personnel with only minimal retraining.

● By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

● CONFERENCES

Protection of pipelines

PRESENT world-wide oil crisis demands a re-assessment, with a view to fuel conservation, of all methods of moving materials over long distances—and pipelines will be included in this reassessment—says the British Hydromechanics Research Association, in announcing its third international conference on the internal and external protection of pipes at Imperial College, London, September 5-7.

The need for protection and insulation has led to rapid advances in polymer technology, pressure-sensitive tapes, and shrink-wrapped sleeves, thus, a paper from Evode will deal with the use of Portland Cement in this respect.

Dr. Ralph Riley will review serious accidents which have occurred in the U.S. over the past 12 years, suggesting that corrosion is now second to human error, and external interference to installations, as a cause of pipeline failure.

Conference will also tackle developments in materials for coatings, erosion and corrosion problems, and electrochemical aspects.

Further details from BHRA Fluid Engineering, Cranfield, Bedford (0234 750422).

● POWER

High-current switches

DEVELOPED AT the GEC Hirst Research Centre is a new kind of enclosed switch that is able to break up to 20,000 amperes at low voltages with negligible wear and virtual elimination of maintenance.

The most important application will be in on-load electrolytic cell shorting where currents up to 400 kA can be encountered and where reliability of switching equipment is essential if the heavy financial penalties of shut-down are to be avoided. These very high currents, even at low voltages, cause large amounts of energy to be dissipated when a switch is opened. In addition, switches must be able to withstand attack by electrolytes and by gases such as chlorine.

About five inches in diameter and six inches long, the Hirst device has the copper circular contacts housed in a sealed enclosure which contains the eutectic alloy of gallium-indium-tin, a metal which is liquid at room temperature has good wetting properties and is non-toxic.

The lower contact is submerged in the metal, which has excellent energy-dissipating properties, and is able to move when the switch is to be closed, the movement being accommodated by bellows.

On closing the switch, the current passes through a low resistance interface between the fixed and moving contacts which are wetted by the liquid metal. During arcing, the roots of the arc are on liquid surfaces and the current passes through the metal vapour which, combined with the sealing of the interior will ensure extremely low rates of contact wear, long life and very little maintenance.

This will compare very favourably with, for example, the knife switches frequently used, where maintenance can be extensive.

The switches can be used in parallel for higher currents and the laboratories say that good current sharing has been demonstrated.

Research is continuing at Hirst, but a positive manufacturing programme based on orders will be considered

More from East Lane, Wembley, Middlesex HA9 7PP. (01-904 1262, Mr. P. Wyman).

● HYGIENE

Keeps the air clean

AIR CLEANER equipment that operates without the use of filters is being marketed by David Brown Market Probe.

The NBI Air Cleaner will eliminate most airborne bacteria fungi and spores as well as harmful gases, unpleasant fumes and smells, dust and static electricity.

Air is drawn into a radiation chamber where it is bombarded by high energy electrons. The electrons break down airborne bacteria whose "remains" are pulled towards the walls of the chamber.

Over a period of time—eight years is typical—a layer of pollutants builds up inside the chamber to a point where the chamber lining is replaced.

In the same way the NBI will also break down certain chemicals such as formalrehyde in a darkroom, or, smoke and dust in offices or such things as pollen.

After irradiation the air is passed over a series of charged plates that virtually eliminate any static electricity present—an increasing problem in the industrial as well as domestic premises with the use of man made fibres in carpets, curtains and other furnishings.

The cleaners are particularly suitable for areas where extreme hygiene is required—for example operating theatres and food processing plants, as well as chemical laboratories, kitchens, offices, photographic studios and the like.

Three sizes process 60, 700 and 3,000 cubic metres of air/hour respectively. The two larger sizes are designed for permanent / semi-permanent fitting, while the model 60 is completely portable.

David Brown Market Probe, 16, Gander Green Lane, Sutton, Surrey SM1 2EJ 01-643 7260.

● SAFETY

Small fire fighting appliance

INITIALLY DEVELOPED to provide protection for hotels, entertainment and leisure complexes, run by the Ladbrokes Group, a small fire appliance which has a BL Sherpa 250 pick-up as its base vehicle, is now being marketed generally through BL Sherpa dealers.

Apart from ensuring a rapid response, says the company, it is simple to operate and within the capabilities of female staff. It carries a 125-gallon water tank, has 120 ft of ¾ inch hose and a pump which can be dismounted to draw water from rivers, etc.

The Firesprite is said to be exceptionally manoeuvrable in confined areas or congested traffic conditions and has powerful acceleration, particularly in the lower speed range. Any driver can handle it (no HGV licence is required) and it is fully operational with a crew of two or three persons.

More from Town and County Factors, Chancel House, Neasden Lane, London, NW10 (01-459 8031).

● METALWORKING

Extending the range

VERTICAL TURRET lathes are now being built in the UK by Giddings and Lewis-Fraser. The company, which has its headquarters in Arbroath, Scotland, says the machines will have high load-carrying 36, 48 and 60 inch diameter tables. A variety of turret, ram and side head configurations are to be offered together with pendant controls, and with 12-tool capacity automatic tool changes, if required.

Workpieces can be up to 12 inches larger than table size and motors up to 75 hp will be offered.

The company's main plant is at Fond du Lac, Wisconsin, U.S.A.

● PROCESSES

Separates the sludge

A separator unit for industrial and domestic sludges has been launched by Powell Duffryn Pollution Control, Rickfords Hill, Aylesbury HP20 (0296 22241).

This is suggested for use in industry and by water authorities where it promises substantial economies by solids dewatering or sludge thickening. In almost every case, says the company, this will lead to cheaper effluent treatment, or, for industrial users who commit effluent directly to the public sewerage system, a significant reduction in discharge costs.

The unit separates solids by passing the effluent over a screen which takes the form of an endless belt travelling at controllable speeds.

Standard version filters under gravity but one of the principal features of the Press-pak is its options — including vibrators and pressure rollers — making it capable of extracting the highest percentage of liquid content for each type of effluent. Its capacity is between 1,800 and 45,000 litres per hour depending on the physical properties of the effluent.

Blasts dirt off the deck

HELPING THE U.S. Navy to keep clean is a new departure for Harben Systems of Salisbury, Wilts, called in by the American Naval Dockyards at Norfolk, Virginia, to demonstrate high-pressure water-jetting systems for use on the four-acre flight deck of the aircraft carrier USS Kennedy.

The Harben 4008 DT high-pressure "Hoverclean" water-jetting system was used to show how it could remove impacted grease, oil and rubber (from aircraft tyres) from the flight deck with speed and efficiency.

The Navy had previously considered the possibility of using a very large power-pack to operate several small cleaning and scrubbing devices, but found that this was no alternative economically or otherwise to high-speed water-jetting. No U.S. company has a water-jetting system to compete with the Harben system (in the 3,000-5,000 psi range). First orders are expected to be announced next month.

Hoverclean was used on HMS Ark Royal. It is powered by a high-pressure water pump, with an output of approximately 800 gallons/minutes at 3,000 psi.

There is very little overspray due to the incorporation of a brush type skirt, and ease of operation, giving a significant reduction in operator fatigue, is particularly marked.

Depending upon the standard of cleanliness required, cleaning can be undertaken with or without the use of chemicals, and work rates of up to 250 square metres per hour have been achieved when using 30 hp high pressure pump units.

Harben Systems, Watt Road, Churchfields, Salisbury, Wilts. (0722) 25424.

Heat aids hole drilling

MATERIALS IN which larger holes are not easily drilled or otherwise cut can be dealt with by a heated, hand-held punch from Welwyn Tool Company, Stonehills House, Welwyn Garden City, Herts. (Welwyn Garden 29121).

Such materials include PVC, polypropylene, polyethylene acrylics, rubber, polyamide and ABS. Applications will occur in the perforation of electrical cable conduits, production of gaskets and rings and the punching of holes in sheets of such materials in general.

The company claims that the Thermo-punch ZTL is less tiring for the operator. Punching speeds depends on the thermal splitting characteristics and the resistance/thermal properties of the material, but if the correct heat and speed are chosen, thermal cracking will not occur, even with acrylics. Material waste is reduced to a minimum. No pre-heating is required and a range of dies can be supplied.

Normal maximum material thickness is 20 mm but to order an extra-long die without centre punch for materials up to 500 mm can be supplied.

● COMPONENTS

Opens and closes doors

OFFERED AS an alternative to pneumatic and hydraulic systems, ac powered rotary actuators from Portescap can be used to open and close industrial swing doors quietly and efficiently.

Available as either 220 volt single phase or 380/415 volt three phase versions, the devices eliminate the need for high pressure air or liquid supply lines and their associated expense.

They are almost silent in operation, require no maintenance, are low power consumers and at £200 each in OEM quantities are not too expensive. They can be used to open or close single or double leaf swing doors in either direction and can be blocked at either end of the limits without using end switches or slipping clutches. The motors can even be stalled in any position without damage or excessive current drain.

A control box can be provided that will operate the doors on the reception of a wide variety of signals such as those from pressure and foot sensors, induction loops and light beams.

More from the company at 204, Elgar Road, Reading RG2 0DD (0734 861485).

● AGRICULTURE

Spreads the fertiliser

SAID TO be a farmhouse name in this country is the Vicon Vari-spreader whose pendulum action spout and non-corrosive polyester hopper is a familiar feature on the agricultural landscape. Now, its maker is offering a new range which incorporates three variable spreading widths and low filling heights.

There are four tractor-mounted models with hopper capacities of 400, 600, 800 and 1000 litres plus a one-ton trailed unit, announces Vicon, PO Box 10, Lovetofts Drive, Ipswich, Suffolk (0473 47321).

The hopper is low and easy to reach when the machine is lowered to the ground for filling and its new shape eliminates angles and corners (that could cause "bridging") and offers an improved flow line.

Special key provided with each machine alters the angle of oscillation on the pendulum action nylon spout so that three spreading widths are available.

Capacities will suit needs of every farm size, says the company, pendulum action gives accuracy on sloping ground as well as on the flat, coupled with the ability to spread all types of solid fertiliser, micro-granules, small seeds and powders, from 6 metres up to 12 metres bout widths.

● INSTRUMENTS

Keeps water out of the diesel

FUEL POLLUTION by water, particularly salt water, has long been one of the banes of life for diesel plant operators and it can get into the fuel in several ways: as rainwater through leaky filler caps, by condensation in damp weather, or by simply forming part of the delivered fuel load.

Resulting corrosion in both pumps and injectors can be very expensive, particularly on large marine diesels, and a device introduced by Aceyork, a Mowlem Group company, can prevent such problems.

Installed in the bottom of the tank, the probe is basically a resistance measuring device which differentiates sharply between being immersed in water (low resistance) and diesel oil (relatively high resistance). It can be cut to length to detect any amount of water in the tank bottom and if required can be made to start a pump to automatically remove the water.

Or, it will respond with a warning light and audio tone, alerting a plant operator to switch on the pump. The device is called Aqua-Tru and has a minimum price of about £60.

Tells how water is moving

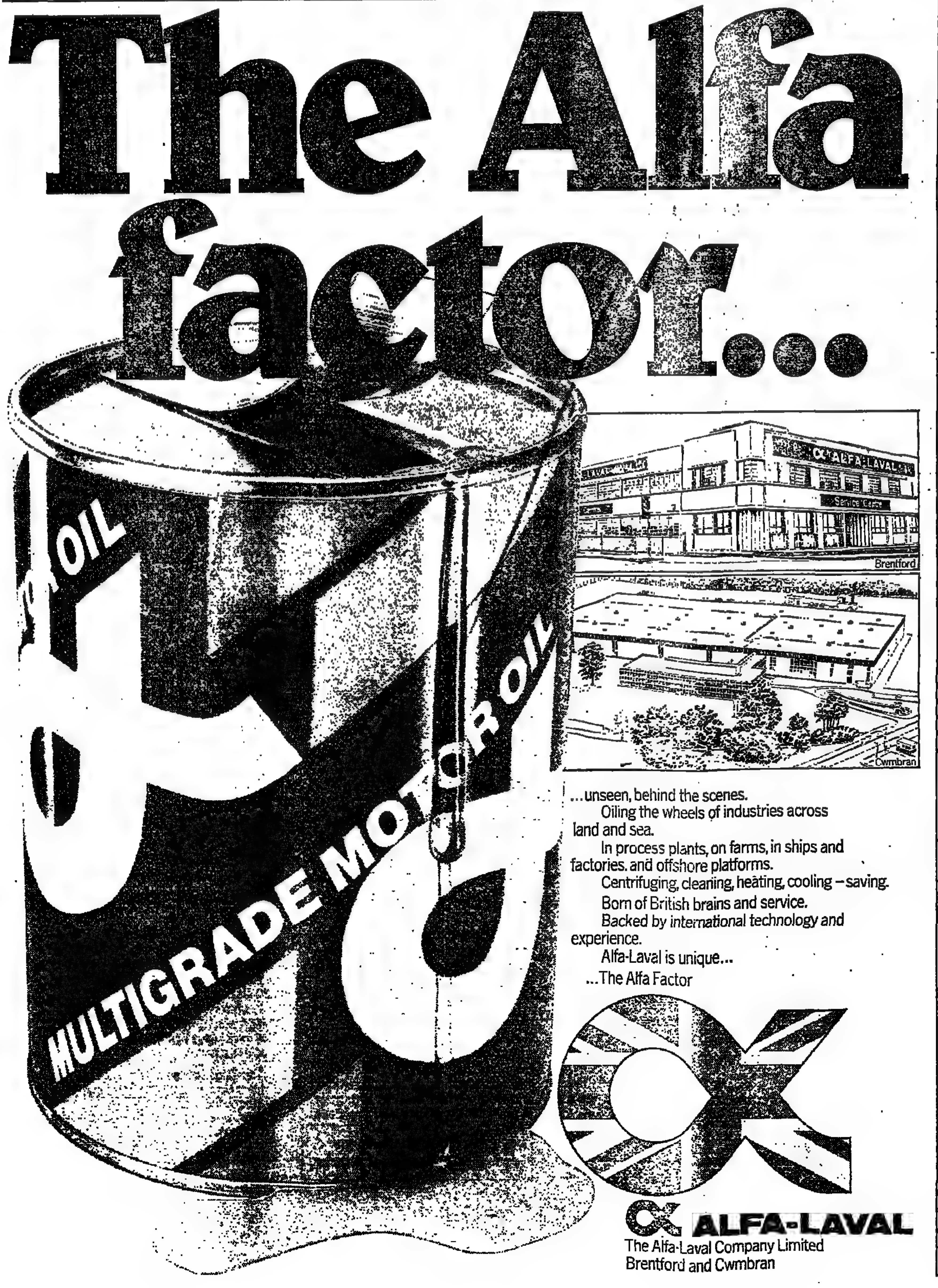
EXPLOROCEAN Technology has won an exclusive agency for a range of current meters manufactured by Marsh McBirney.

They have solid-state sperical sensors and no moving parts and are sensitive to very low velocity water currents.

Sensors range in size from 0.5 inch to 4 inch diameter to suit varying laboratory and field applications. A range of direct reading two axis units is available with or without a geomagnetic compass.

Included in the range is the completely self-contained adaptive recording current meter which has a microprocessor based data system and is self-calibrating and self-checking with a flexible data output using standard digital cassette tape.

Explorocean Technology, Charwell House, Lincoln Way, Windmill Road, Sunbury on Thames, Middlesex. Sunbury on Thames 87411.



THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

With the sixth European conference of America's best-known business school opening in London tomorrow, **Ray Dafter** looks at the top-level controversy surrounding its teaching methods, in particular its time-honoured case studies.

Harvard's sacred cow in dispute

Derek Bok (left), president of Harvard University, and Lawrence Fouraker, dean of Harvard Business School. Feathers have been ruffled among the business school faculty by Bok's comments about the *teaching methods it employs.*

A WIND of change is blowing hrough the sober portals of Iarvard Business School. It manates from across the River Charles on the main university ampus, in the office of the institution's president Derek Bok.

Mr. Bok devoted his recent nnual report almost exclusively to the business school, questioning its teaching methods, its esearch capabilities and its reparation of students for new nd complex business problems. It was not a blast of criticism, more a case of judicial evaluaon. Mr. Bok explains that e uses the annual report to nform himself and others about gnificant parts of the niversity; the business school as chosen this year because Mr. Bok will soon be seeking new Dean to replace Lawrence ouraker who is returning to ull-time teaching.

Even so the message can be nterpreted, and has been taken, s implied criticism of the way he school goes about educating future business leaders. And seems that even a whiff of nposed change is enough to uffle the feathers of business chool faculty and former udents.

"We have not been a source problems for president Bok uring his eight years in office he probably doesn't know as uch about us as the other hools," commented Dean ouraker. "We have no conrn about the president's otives. Unfortunately I think at his report has been intercted in a damaging way and regret that."

At the centre of the conoversy is Mr. Bok's remarks out the case study method teaching at the business hool. An Arts and Science culty *member once* comented: "Case study is a sacred w at the school; the students ed a case study to show them w to go to the bathroom."

fact, the study of prepared ses accounts for about twords of the teaching proamme. Several million dollars year are spent by the school on the preparation of weighty studies—packages of statistics, reports, simulation and Press clippings—which are analysed and discussed in windowless amphitheatres. Thousands of business managers have learned the rudiments of business management in this way.

However, Mr. Bok found that "despite its virtues, the case method has evident limitations. Although the case study is an excellent device for teaching students to apply theory and technique, it does not provide an ideal way of communicating concepts and analytical methods in the first instance. In fact, *by concentrating on the discussion* of detailed factual situations, the case study method actually limits the time available for students to master analytical techniques and conceptual material. This tension *may have mattered little in an* age when the knowledge applicable to business decisions was rudimentary. As the corporate world grows more complex, however, the problems become more serious."

The university president is also concerned that concentration on the case study method lessens the time and resources available for research; inevitably, he says, the enormous effort required by the preparation of cases leaves little time for faculty staff to research generalisations, theories and methods which might be used by future managers.

Mr. Bok is no stranger to the case study method: he taught such a system at Harvard law school for about 12 years. Indeed, a couple of months ago he stressed some concern that law school teachers seemed to be lessening the use of case studies.

Nevertheless, Dean Fouraker believes that the Harvard president may not have fully grasped the point that the preparation of case material does require a great deal of original research, usually at the sharp end of business—in the manager's office. (Quite often the manager—or his boss—will have been at Harvard using such case material anyway.) The major difference from other important schools is that most of this research is channelled into teaching and not into learned journals. Consequently by normal academic yardsticks the business school might appear to be less scholarly than it should.

Dean Fouraker believes that the case method will continue to be the single most important instrument of research and teaching. "It has a major advantage: it works. There is an uneasiness induced by things that work. They attract all sorts of critical missiles. In business we find that they are discussed, regulated and often brought down to impoverished levels."

The business school makes no bones about its role. As Mr. Bok acknowledges, Harvard "seeks to produce top executives for corporations everywhere, and all its principle activities are shaped to support that overriding goal." As befits such an institution its results are well *documented.* More than a quarter of its alumni—12,000 out of 48,000—hold the business rank of chairman, vice-chairman, president, managing director, owner or managing partner. It is confidently expected that in 20 years time half of those 753 graduate students who have just earned their Harvard Masters of Business Administration degrees will be working in one of those capacities. This year the school received 7,000 applications (a 30 per cent increase over 1978) for the MBA programme; as usual only 775 or so will be selected to take the course. In addition some 2,000 mid-career executives attend courses varying from three weeks to three months at an individual cost of up to $9,000.

The fact that, in 1977, a poll of 85 business school deans *ranked Harvard second behind* Stanford as the best business school academically is dismissed lightly in Cambridge. "Sour grapes" and "publicity stunt trivia" are comments heard on the South Bank of the River Charles.

But still Mr. Bok believes that while retaining its traditional mission the Harvard busines school must devote more of its teaching and research energies on some of the newer problems confronting industry:

Human resources **—** Trade unions, the rights of women and minorities and the aspirations of a better educated labour-force would provide managers with greater challenges. While the school possessed important *ingredients for a* broad-based approach to these subjects there were some missing elements that would be needed to prepare managers to cope effectively with the full range of work force problems. "Executives need to understand the growing network of government regulations aimed at equal opportunity, employment safety, pension reform and a host of other social objectives."

Corporate Planning—Harvard had pioneered work in this field and yet business schools in general had still not done enough to evaluate or refine planning methods for diversified companies with a portfolio of *products. Scholars* were also a long way from being able to anticipate political and regulatory policy changes.

Business and Government—Most business curricula paid little attention to the problems of industry-government relations but concentrated instead on marketing finance, production and more traditional business areas. "Businessmen have complained about the heavy costs, the red tape, the unanticipated burdens and unwelcome side effects that often accompany Government regulations," Mr. Bok reported. "Yet business schools have engaged in little research to improve the regulatory process."

Corporations and Society—"Most classroom discussion still proceeds on the unexamined assumption that growth and profits are the only serious concern of the corporate manager," the presidential report states. There needed to be proper examination of the ethics and responsibilities of companies.

In all of these issues Mr. Bok acknowledges that the business school is making an important and growing academic contribution by effecting its own change. "*In my report I* have largely described the process of change that has been going on for some time," he said.

Indeed, it was a class on one of the thorny problems raised by Mr. Bok that gave rise to some unfavourable publicity last term. Students were grappling *with the ethical problem* of lying—"strategic misrepresentation" in business school parlance—and withholding information. As part of a course on competitive decision-making students were engaged in games of negotiation. On January 15 the school was rocked by a story in the Wall Street Journal under the headline: "To some at Harvard, telling lies becomes a matter of course." The story was carried in newspapers throughout the world, providing ammunition to those critical of capitalistic principles. According to Fortune magazine it also provided evidence for the more subtle detractors of Harvard's case study method, since a student's grade depends on achieving a result or a solution.

With this experience no doubt in mind, Dean Fouraker regards his relationship with the Press as probably the weakest part of his management since taking over as head of the school in *January, 1970.* "*I haven't been* able to get the right story written, to get over a reliable summary of the school's strength." (This is also a familiar cri de coeur in many a business Board room

On the other hand the Dean has been a successful moneyraiser. This year the schoool's endowment should be between $70m and $75m, triple the amount a decade ago. (No doubt learning from its own business teaching, the size of the administration has fallen over the same period, from 395 staff to 365.)

Dean Fouraker who, largely as a result of his present appointment, finds himself a director of seven private corporations as well as a Board member with ten no-profit organisations, plans to concentrate on teaching again next year. He will stay in harness—"After all, there is no better place to teach or learn"—probably teaching the required *first year course, Business,* Government and the International Economy, or BIGGIE for short. That course, together with the mandatory Business Policy course deals with two areas of concern in Mr. Bok's mind and in his report on the business government interface and the impact of regulation on corporate planning. According to the Dean, these courses are evidence of the way that the school is adapting to new business conditions of its own volition. It is a message that is likely to be repeated during the next two days when he returns to London to address the European Conference of the Harvard Business School Association.

For his part Mr. Bok is satisfied that he has opened up the discussion which he sees as an essential precursor to the appointment of a new Dean. Mr. Fouraker's successor will not be able to affect an immediate change; indeed Mr. Bok *promises there will not be a* "sharp break from the past." But through the control of course development, research funds and, to a large part, the appointment of professors the Dean will be able to chart a new path for the school should he think fit. And that will have an impact on business decision-making for decades to come.

Ray Dafter, of the Financial Times, has for the past academic year been a Fellow of the Center of International Affairs at Harvard University, researching the potential for enhancing world oil recovery.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Voting at an AGM

I recently attended a company meeting and when the vote was taken in respect of the several proposals I asked what about the postal vote and was told that *this was not referred to as it* could complicate matters. Am I not right in believing that at all AGM's the postal vote figures must be given?

No: the normal course is for the voting at a General Meeting to be taken in the first instance by a show of hands, when only persons present may vote. If a sufficient number of those present is dissatisfied with the result of the count of hands a *poll may be demanded.* On a poll all votes are counted including those given by proxy. We assume that the postal vote to which you refer is the voting of those who have filled in proxy forms. Although a proxy vote cannot be given at a show of hands the proxy holder is entitled to have the proxy vote or votes held by him counted in a demand for a poll. The Company's Articles of Association usually make provision for the number required to demand a poll.

Receiver's lack of response

One of our customers, a limited company, got into financial *difficulties* about a year ago, and a receiver was appointed by their bankers in April, 1978. Despite several letters and telephone calls, we have been quite unable to obtain any information at all out of the receiver. Is there anything we can do, short of asking the court to wind up the company, to make the receiver give us a report of his activities?

We think that you should write to the receiver pointing out the history of his lack of response and advising him that you will present a petition to wind up the company unless he responds immediately; and, if there is still no response, you should present such a petition.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible

LOMBARD

Industrial aid: the first test

BY RAY PERMAN

WHAT DIFFERENTIATES this Government's industrial policy from that of its predecessor? In the run up to the election we were encouraged to believe that the Conservatives would stay aloof from the operation of the market, if not exactly following Mr. Heath's lame ducks approach, then at least making a clean break with Labour's almost pathological obsession with saving jobs no matter what the circumstances or the cost.

So far, with Mrs. Thatcher's administration admittedly only two months into its probable five-year term, that change of direction does not seem to have occurred.

The new Government, like its predecessor (and its predecessor and its predecessor) faced many of its most pressing industrial problems north of the border. It is likely to go on doing so, since a recent official study showed that Scottish firms are significantly more vulnerable to *economic ill winds than those* elsewhere in the UK. But if we can take Scotland as a microcosm of the country as a whole—with perhaps a small allowance for the autonomy the Cabinet allows Scottish Office Ministers—then the remarkable thing about the Conservative *response to firms in difficulty is* not its differences from Labour's attitude, but its similarities.

Initiatives

It began almost with Mr. George Younger's first day as *Secretary of State for Scotland* when he confirmed two initiatives taken by Labour. The day to day support for Prestcold's losses from its two Glasgow factories was continued and he announced that the proposal that the British National Oil Corporation should order a drilling rig from Marathon at Clydebank to prevent it from imminent closure would proceed.

The subsequent decision not to extend Prestcold's subsidy after the deadline set by Mr. Eric Varley has been taken as evidence of a new tougher line. But would Labour have acted any differently? The new Government, like the old one, explored every possibility. The company's owner, BL Special Products, was not interested in keeping it afloat, the National Enterprise Board and the Scottish Development Agency had both said they did not want to touch it and the rumoured private buyer proved to be unwilling to come forward with the money.

The *900 employees at Prestcold* have legitimate cause for complaint. The factories were starved of investment and a successful domestic refrigeration compressor, a world market leader when it was introduced, was allowed to run for nearly 15 years before any suggestion was made that it should be redesigned and the plant re-tooled to replace it. It is now too late to catch up with the foreign competition, but the blame can hardly be placed at the Government's door.

Stood aside

Faced with universal lack of interest, Mr. Younger did what Mr. Bruce Millan, the man he replaced, had done when Goodyear proposed to close its Glasgow factory: he stood aside and allowed the redundancy notices to be issued.

Even then the cold hand of *laissez-faire* was hardly in evidence. On the day the notices went out Mr. Alex Fletcher, the junior Industry Minister at the Scottish Office, was promising cash in the form of selective financial assistance under the Industry Act to anyone who would come forward with a scheme that had a chance of viability and was willing to back it with some private money.

The Conservative test of viability is whether a commer*cial third-party is willing to* share some of the risk, but even this is an alternative to direct public intervention that the Labour Government preferred, particularly in the first years of the Scottish Development Agency when it was very sensitive to the possibility that it would become a rescue net, to be held out by the Government whenever someone toppled off the wire.

It must be said that the problems so far have been relatively small, but they will get bigger. Massey Fergusson proposes to withdraw its combine harvester production from Kilmarnock and transfer it to France with the loss of 1,000 Scottish jobs, and, before the autumn, the shipyards could be facing a critical shortage of orders. With the clamp starting to tighten on public spending, we shall see the continuation of the old policy put to the test.

Rhododendron pride—and prejudice

GARDENS TODAY

BY ROBIN LANE FOX

FOR MANY PEOPLE, the great season in their gardens is almost over. They are the azalea and rhododendron growers whose interests have received hardly a word from me over the years. Yet high finance and the rhododendron have a closely-linked history. Many a City killing has been banked in rhodo*dendron hybrids. Magnifique* perhaps, but I remain in the camp of those who feel "ce n'est pas le jardin anglais," least of all in an 18th-century landscaped park.

Prejudice dies hard, especially *in this column.* A recent invitation to Exbury Gardens, seat of the Rothschild's rhododendron bank, has done as much as any visit could to face my prejudice with the facts. The best hybrid rhododendrons in tthe country, the peak of their season, no rain, a guided four without the tens of thousands of visitors who wisely flock round this 200-acre wild garden at its peak: surely this could convert a man who would hitherto prefer a single spring gentian to a whole glade of *Bagshot Ruby in full flower?*

Unless you garden in acid soil, it is difficult to be fully involved. I cannot imagine myself as a rhododendron owner. I view them with detachment, marvelling that there can still be so many new crosses, not least from Exbury's nurseries, which RHS judges can still distinguish as worthy or unworthy of Awards of Merit. Normal standards are suspended by such an astonishing show.

Hardly a weed

If you walk down the great Exbury vistas in late May, you come to expect huge drifts of the Exbury range of azaleas, mounds of rare species of rhododendrons and hardly a weed in the way, though all 200 acres are managed by a core staff of seven men. Visitors can take one of the stars back with them from its place of origin, Fred Winyatt, Matador, any Exbury azalea and your pick of the Rothschild family-names.

Among such an embarrassment of colour, which would I *want in the garden? I would* be ruthless, I think. Ruby reds, salmon pinks, rose-pinks, and the rest of the vibrant bunch would all be planted near my bonfire heap. If I only had room for one rhododendron in the forest garden, I would buy a pale yellow flowered one. If I *had a small* wood, drive or wilderness, I would limit the colour wholly to yellows and whites and enjoy walking through them on a late May evening.

If you want the strongest orange and red in a natural glade, you should consider the advice of the great past theorists on colour in the flower garden. They advise you to lead up by stages to the strongest colour in the centre of the group, comparing the grading of yellow and orange to the grading in a natural flame. The block of each colour should be wide. You cannot get away with one bush of each bright colour set side by side. White will usually do something for too hard an expanse of orange or rubyred. But again, white goes best with a block of one single colour, *not a mass of intermingled* flames and ruby-reds. Remember that a pure white is itself visually very strong.

The difficulties, then, seem to my eye to be most of the low evergreen azaleas which sizzle in clumps of mauve and salmon-orange. I would not want the full range of Exbury hybrids en masse, though one or two are as good as anything on their own. Pink Pearl and related large rhododendrons seem too sugary to me, yet they go in as first choice on the front lawn of most new Home Counties' gardens. There are better alterantives.

If you can afford them, the pick of the available garden yellows have come from Hawk and its variations. Hawk Crest is rare and reaches fifteen feet eventually. Its lemon-yellow trusses of flower are best seen in a light woodland where they do not oppress you among the trees. I would like to try a few of these among the tall bushes of Loders White beside a suitable drive backing on to trees. Exbury have some superb variations on Hawk, above all a marvellous Hawk Jervis Bay cross and a cross between Hawk and the creamy yellow Idealist.

As a general garden plant in a colour which is not the easiest or cheapest in my opinion, you should go for good old Zuyder Zee. This one will go up to seven feet or so, no more. It is a hybrid of the green-grey leaved species *Campylocarpum* which always wins my heart. The yellow is lemon-yellow, not orange, butter or buttercup. The upper petals are spotted with dark crimson. It flowers in the main season and deserves its Award of Merit.

White would give my yellows some backbone. Here, the prices are lower, the plants easier and *the choice* wider. Among the big tall bushes, shaped like domes, nothing seen at Exbury dissuades my faith in Loders White. This tall rhododendron is strong, easy and an abundant flowerer. If you fancy turning a rough part of the garden into a white-flowered wilderness, I cannot see how you could improve on this for the back row. It is the sort of shrub which you can see pleasingly through light tree-trunks or in a clearing. A fully developed Mrs. A. T. de la Mare would be one better, though perhaps less easily pleased. May flowering, it is a large scented white with a green stain in the throat of each flower. Again it is a big plant, up to fifteen feet.

Fine white

So much for the tall backdrop. Nearer the ground, you can take your pick of the upper classes. Mrs. L. de Rothschild is large, white and bred with red spots in its throat, a sign, in this case, of great beauty. Elizabeth Rothschild is a fine white, but never caught the spots. At Exbury, bushes of the worthy Helen Schiffner were at their best, making it hard to want any other white at a height of about six feet. Below that, of course, comes the queen of all azaleas, the one essential evergreen and the garden plant which I most covet in the whole family. I refer to the white Palestrina whose flowers pour down any bank or front to middle row of a border. It is the perfect accompaniment for any strong colour and the most generous azalea on the market. Put it at the top of your list if you open a catalogue and do not know where best to start.

Personally, I would be happy to stop there, perhaps adding in some more of the yellows, Bodnant Yellow and the FCC form of Lady Bessborough being the top choices for reliable flowering at a middle height. My only quarrel with the rhododendron is that it is too overwhelming and too generous for too-short a season. I assume throughout that you will only mass it on suitable soil in a suitable landscape. Otherwise, no variety will ever look right. There are others which different eyes could no doubt rate more highly, not least the deep reds (Romany Chai being rich and remarkably late-flowering) and the pale lilacs and violets (none more abundant than old Arthur Bedford). In a park like Exbury you can see them all and buy good stock of all but the greatest rarities. But you are advised to start with some firm bias. Pale yellows and whites, I hope, will at least lure you further down the rhododendron's many possible walks.

Varingo to build a winning debut

RACING

BY DOMINIC WIGAN

I SHALL be more than surprised if Varings does not triumph in today's Berkshire Stakes at Newbury, following up his success in Goodwood's Tegleaze Stakes, when he beat Paul Kellaway's Star Way. That victory is thought to be the most promising performance by a newcomer this season.

The Ryan Price-trained juvenile, although strongly fancied by Findon to make a winning debut there, was easy to back in the face of heavy support for his Newmarket opponent. For a long while the confidence which saw Star Way going to post a 9-4 favourite, looked like being justified.

Travelling smoothly throughout, Star Way swept into the lead in the hands of a confident Lester Piggott a quarter of a mile out and many favourite backers must have thought that the race was as good as over.

However, Brian Taylor had been riding an equally confident race on Varingo: allowing the brown son of Saulingo plenty of time to find his rhythm.

Responding well to his sympathetic handling, Varingo found his stride and soon put a length between himself and the favourite.

Third, three lengths back was another respected newcomer, the Dick Hern trained Roehampton.

Varingo, sure to be all the better for that Goodwood run, can confirm himself a leading two-year-old with a clear-cut victory over another once-raced colt, Numas.

Fears that the outbreak of equine metritis—a virus which in acute form, can cause severe paralysis—is spreading now seems to be confirmed. The Thornton Yorkshire, stud of senior steward, Lord Howard *de Walden, reports its success*ful stallion, So Blessed, infected alongside seven mares.

Thirty mares are now in isolation there and they will remain at the stud until "cleared"

One of the most contagious viruses among mares, equine metritis is extremely difficult to detect as was highlighted at Newmarket last month when a mare swabbed on 10 occasions and found to be "clear" was then declared infected.

The danger of the current outbreak responsible for the death of eight mares at Newmarket getting out of hand has again been stressed by Charles Frank, largely responsible for the Metritis Code of Practice.

Commenting on Friday, Frank said: "Unless people keep an eagle eye on this disease, we could have another epidemic on our hands."

NEWBURY

2.00—Mittens
2.30—Rivadon
3.00—Effect
3.30—Varingo***
4.00—Million**
4.30—Alia*

TV/Radio

† Indicates programmes in black and white

BBC 1

6.40-7.55 am Open University (UHF only). 9.38 Schools. 10.45 You and Me. 11.00 Schools. 11.40 World Cup Cricket: Prudential Cup. Australia v Pakistan; England v Associates B. 1.15 pm News. 1.30 Bod. 2.01 Schools. 2.40 World Cup Cricket. 3.55 Play School. 4.20 Scooby Doo. 4.40 Horses Galore. 5.10 Go with Noakes.

5.40 News.
5.55 Nationwide (London and South-East).
6.20 Nationwide.
6.30 Lona Zavaroni.
7.20 The Wonderful World of Disney.
8.10 The Omega Factor.
9.00 News.
9.23 The Budget.
9.33 Petrocelli.
10.25 The Americans.
11.15 Tonight.
11.55-12.00 Weather/Regional News.

All regions as BBC-1 except at the following times:

Scotland—5.55 pm Reporting *Scotland.*

BBC Wales—5.10-5.40 pm Bilidowcar. 5.55-6.20 Wales Today. 6.50-7.15 Heddiw. 7.16-7.45 Trem. 7.45-8.10 Ask the Family.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 Open University.
6.40-7.55 am Open University.
10.20 Gharbar.
11.00-11.25 Play School.
4.00 pm World Cup Cricket. Prudential Cup: Australia v Pakistan and England v Associates B.
6.55 The Long Search.
7.45 News.
7.55 The Genuine Article.
8.20 The Money Programme.
9.00 Dave Allen at Large.
9.45 Peasants, Politicians and Power.
11.00 News.
11.10 The Budget.
11.20-12.15 am World Cup Cricket.

LONDON

9.30 am Schools programmes. 12.00 The Adventures of Rupert Bear. 12.10 pm Rainbow. 12.30 The Sullivans. 1.00 News. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus at Home. 2.35 Sister Dora. 3.20 About Britain. 3.50 Hello, Good Afternoon, Welcome. 4.20 The Sooty Show. 4.45 Stay Alive with Eddie McGee. 5.15 Makin' It.

5.45 News.
6.00 Thames At Six.
6.25 Crossroads.
6.50 Coronation Street.
7.20 Sports Special: Austria v England, soccer live from Vienna.
9.30 The Black Abbots.
10.00 News.
10.30 The Budget.
10.40 World in Action Special.
11.40 The Andy Williams Show.
12.10 am Close.

McGee. 5.45 News. 6.00 Thames

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 2.25 Sister Dora. 5.15 Winner Takes All. 6.00 About Anglia. 11.40 Power without Glory. 12.40 am The Big Question.

ATV

12.30 pm The Story of Wine. 1.20 ATV Newsdesk. 2.25 The Love Boat. 5.15 Father, Dear Father. 6.00 ATV Today. 11.40 The Geeks.

BORDER

1.20 pm Border News. 2.00 Houseparty. 5.15 Gambit. 6.00 Lookaround. 11.40 George Hamilton IV. 12.10 am Border News.

CHANNEL

1.20 pm Channel News. 5.15 Emmerdale Farm. 6.00 Channel News. 6.10 Coming Soon . . . One Man's Music. 10.28 Channel News. 10.32 A Chance to Meet . . . Percy Edwards. 11.40 Les Humphries. 12.35 am News and Weather in French.

GRAMPIAN

9.20 am First Thing. 1.20 Grampian News. 5.15 Emmerdale Farm. 6.00 Grampian Today. 11.40 Reflections. 11.45 Danger in Paradise. 12.40 am Grampian Headlines.

GRANADA

1.20 am Cartoon. 2.25 The Outsiders. 5.10 Captain Nemo. 5.15 Crossroads. 6.00 Granada Reports. 6.20 Father, Dear Father. 11.40 A Question of Sex.

TV11—HTV—WED., JUNE 13

1.20 pm Report West. 1.25 Report Wales. 5.20 Crossroads. 6.00 Report West. 6.25 Report Wales. 11.40 Barnaby Jones.

HTV

General Service except: 1.20-1.25 pm Penawdau Newyddion. 4.20-4.45 'Rydw i am fod. 6.00-6.25 Y Dydd.

HTV WEST—As HTV General Service except: 1.25-1.30 Report West. 6.25-6.50 Report West.

SCOTTISH

1.25 pm News and Road and Weather. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Report. 11.40 Late Call. 11.45 Stars on Ice.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 6.25 Scene Midweek. 11.40 Southern News. 11.50 Pro-Celebrity Darts.

TYNE TEES

9.25 am The Good Word. 1.20 pm North East News. 5.15 Gambit. 6.00 *Northern Life.* 11.40 *Maude* 12.10 am Inside Business. 12.35 Epilogue.

ULSTER

1.20 pm Lunchtime. 4.18 Ulster News. 5.15 Cartoon. 5.20 Crossroads. 6.00 Ulster News. 6.15 Look and See. 6.30 Woody Woodpecker. 10.40 Documentary: "The Will to Live." 11.40 Bedtime.

WESTWARD

TV17—WESTWARD—WED., JUNE 13

12.27 pm Gus Honeybun. 1.20 Westward News. 5.15 Emmerdale Farm. 6.00 Westward Diary. 10.28 Westward News. 11.40 Les Humphries. 12.35 Faith for Life.

YORKSHIRE

12.30 pm The Cedar Tree. 1.20 Calendar News. 2.25 Blue Skies from now on. 5.15 Gambit. 6.00 Calendar. 11.40 Devine Country. 12.10 am Untamed Frontiers.

Radio Wavelengths

BBC Radio London: 1458kHz, 206m & 94.9vhf

Capital Radio: 1548kHz, 194m & 95.8vhf

London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

RADIO 2

RADIO 3

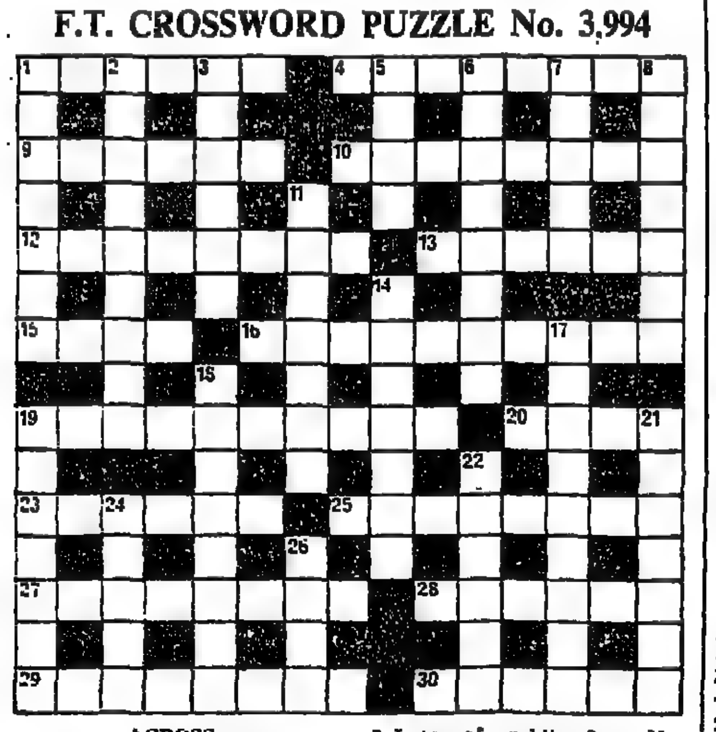
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 3,994



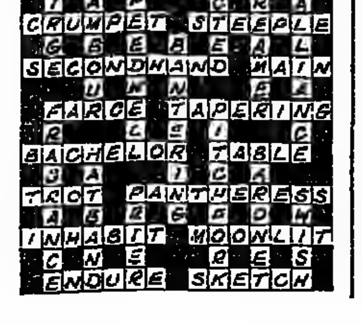
ACROSS

1 Line cricketers use in fold (6)
4 Weaver and worker come into view (4-4)
9 Unknown Officer Commanding set (6)
10 I'm taking placard for charlatan (8)
12 Write label on U.S. army headquarters (8)
13 Like sea-bird at back of boat (6)
15 Two groups of soldiers could be uncommon (4)
16 Sailor going to underground room for a container (4-6)
18 Startle weaver in depth of despair (4-6)
19 Wickedness in the village (4)
23 A crab I translated into Semitic language (6)
25 Dealer having to trade in credit (8)
27 Indian gent loses article and is in need (8)
28 Sheep in more confusion (6)
29 Hasten to make unusual deep exit (8)
30 Monster to pull on (6)

DOWN

1 One who harvests in fall (7)
2 Odd character could be a crank (9)
3 Mohammedan ruler hidden by a consultant (6)
5 Lots of soldiers? Yes, including the Marines! (4)
6 Pet's type of screen put up and seen at entrance (8)
7 Fantastic but not in note (5)
8 Sailor and soldier—right? (7)
11 Author's reward from kingdom (7)
14 A prize for wasting away (7)
17 Aiming at flat-fish (9)
18 Notice about road over river being shortened (8)
19 Comprehend it could be to convert into money (7)
20 Bacon fat with nothing on to follow (7)
21 Charm listener after the finish (6)
24 A clergyman mounted to point to a reasonable conclusion (3, 2)
26 Insect put up a ringing sound (4)

Solution to Puzzle No. 3,993



THE ARTS

Birmingham Repertory

Rookery Nook by ANTONY THORNCROFT

Rookery Nook is one of the best known of Ben Travers' Aldwych farces but oddly enough it has not been given a major first-class revival since the original production over half a century ago. This uplifting of the veil by the Birmingham Rep suggests that the piece is best left in the hands of local amateur dramatic companies. A heavyweight company sinks the flimsy craft.

And the actors are certainly heavyweight, from Peggy Mount as the censorious char to Nicky Henson as Gerald Popkiss, the first Silly Ass. The director is Frank Dunlop, and the design by Michael Annals includes a vintage car which adds a fleeting touch of reality as it drives coolly off back stage. It is a pity that all this talent is engaged on plot and dialogue that is most appealing for its period charm. That our parents and grandparents could get so worked up over a simple story line—young married man shelters for the night pyjamed girl fleeing from stepfather, with predictable confusions—that P. G. Wodehouse would have used as the starting point for imaginative development, is quite amazing.

Nicky Henson and Peggy Mount

Of course the attraction in the original was the sight of the regulars in the company doing their party pieces, and Frank Dunlop encourages a great deal of business from Henson and his slightly less gaga cousin Clive, played by Terence Frisby. Their strong playing gets laughs from pretty basic stuff—the working class and foreigners are useful butts—and in the end the innocence and inanity of it all wears down the rational doubts and the niggling queries. And if the denoument looks as if Ben Travers ran out of writing paper as much as imagination there is a nice premature climax with the belated appearance of Poppy Dickey (good work from Cherith Mellor) as a fun girl.

Rookery Nook is now a curiosity, and perhaps Frank Dunlop takes it to seriously. The pace quickens when Peggy Mount lumbers on, and Gaye Brown, as Gertrude Twine, who for some reason inspires fear in men in general and mighty dread in her weedy husband Harold (Andrew Robertson making this the star part) is a Mount in embryo. I must admit that the plot did not seem worth following and for a time the heart-felt line "This is desperate stuff" summed it all up, but maybe another fifty years will add wit to the style that undoubtedly sustains this production.

Holland Festival

Tristan und Isolde by MAX LOPPERT

"Good performances (of *Tristan*)," the composer himself predicted, "will drive people mad." But what about mediocre performances? No doubt it would have been asking too much of even Wagner's all-embracing imagination to prophesy such an effect; he might have been surprised to learn that a mediocre *Tristan* is, in its own very different fashion, every bit as provocative of mental discomfort. To the incantatory ecstasy of a great performance, surrender is almost the only possible course of action for the musically impressionable listener; when ecstasy, rapture, and long spans of musical eloquence are withheld, one is exposed to boredom on an intolerably grand scale.

The Netherlands Opera *Tristan*, the major operatic offering of this year's Holland Festival, was mediocre. It was not simply a case of inadequate resources matched to a work of extreme demands; for all the notes were in place, there was evidence of musical and dramatic preparation, and the participants numbered some internationally eminent names. Indeed, the producer was Götz Friedrich; but although he and his design team of Heinrich Wendel (sets) and Jan Skalicky (costumes) were guilty of the usual crop of "interpretations," there was for once a reversal of the situation recently familiar in Wagner productions—for the staging stood no chance of establishing or justifying itself against the pervasive vacuousness of the musical execution.

The conductor of the Radio Philharmonic Orchestra was the musical director of the Netherlands Opera, Hans Vonk; a capable musician in other contexts, he proved quite out of his depth in the swirling flood of the Wagnerian *unendliche Melodie*. Textures were shaky and shabby, sonorities mean and lightweight, particularly deprived of bass solidity; sentences and paragraphs skittered past, their superficial tidiness failing to conceal a want of inner coherence. The title parts were taken by Saps Wenkoff and Roberta Knie, each so far below the form displayed at, respectively, Bayreuth and Covent Garden as to suggest the possibility of an unannounced affliction. Between the listener and the voices there seemed to be interposed a curtain of muslin, rent only by the strained sounds of the non-legato Brangäne, Hanna Schwarz, or—more happily—by the dignified Marke of Ulrik Cold and the Kurwenal both precise and forthright of Gerd Feldhoff. King and Squire provided in their singing the refreshing but only temporary assurance that the Wagnerian vocal line has words in it, and is not best delivered in a half-projected burble.

The stage is occupied by a large horseshoe, angled on a diagonal. Darkness prevails: knights and sailors are dressed in black and gunmetal. (Whatever the reasons for this, special aptness to the opera does not loom large among them.) During the love duet planetarium-type star projections are seen on a backcloth; this falls to the ground at the entry of Marke and Melot to reveal two harsh sets of football stadium spotlights. Isolde sings much of her Act 1 narration directly to Tristan. In other circumstances these might have been infuriating embellishments; here, their effect was to keep from complete extinction the guttering flame of dramatic interest.

Festival Hall

Pollini

by NICHOLAS KENYON

Maurizio Pollini makes all too few appearances here, and it was good news indeed that his contribution to the South Bank Piano Recital Series was to include the Boulez Second Sonata and the Webern Op. 27 Variations (works which he has recorded for DG on 2530 803, one of 1978's outstanding records). So the disappointment was all the greater when, a couple of weeks ago, the programme was changed to one of Mozart and Beethoven. Would a special occasion become instead something ordinary?

Fortunately, the answer given by Monday night's magisterial set of performances was—not at all. Pollini devised a wholly satisfying sequence of three pairs of classical works: the Mozart C minor Sonata with its associated Fantasy; the D major Sonata preceded by the B minor Adagio; and Beethoven's *Appassionata* with the F major Sonata Op. 54 as preface.

The concentrated power of *Pollini's Mozart is astonishing*: like a caged tiger, with a touch of the feline but full of strength, the lines wend their way under a powerful directional impulse. Yet there is nothing crude or hard—the sound is pure and clear, the phrasing sensitive, the variety of touch and response magical. Too much of the Fantasy was clouded with sustaining pedal, but when the Adagio emerged from the mists the result was supremely eloquent: the ineffable sadness of the close (paradoxically a sudden twist *into the major mode*) making an unbearably direct effect.

Difficult to explain why Pollini's Beethoven should be marginally less satisfying than his Mozart. The tiger is unleashed; the rhythms rush away in a terrifying, pounding race after prey. The powerful impetus is still there; so too the superbly "orchestrated" piano sound (not an imitation of instrumental textures, of course; simply a highly sophisticated differentiation of register and material). But the emotional language is still plain and direct; and whereas plain directness in Mozart enables all the ambiguity to speak, and speak profoundly, in Beethoven this plain directness seems to overlook some of the subtle twists and quirks in the music. The effect is, and was on Monday, overwhelming. The *Appassionata* was swept into a grand vision, yet the vision seemed a partial one. In Mozart, though, Pollini's less outspoken declamation had seemed to say everything.

John Wayne

John Wayne, the Western movie's greatest hero and the star of over 200 films, died on Tuesday at the age of 72. During his 15-year struggle against cancer — the "Big C" he called it — Wayne had seemed as tough, good humoured and lazily masterful a presence as ever; both on and off the screen. The momentous ovation he received at the 1979 Oscar ceremonies showed the illness had taken its toll of his health but not his popularity.

The star of *Stagecoach*, *The Searchers*, *The Alamo* and *True Grit* became the cinema's most memorable image of pioneer heroism, and his last film, *The Shootist*, was an apt testament and self portrait; the story of an ageing gun fighter stoically, unselfpityingly, dying of cancer. Wayne was married three times and had seven children. Members of his family were with him when he died at the University of California Medical Center.

Nigel Andrews will be writing about John Wayne at length on this page on Friday.

Sibelius season

A season of Sibelius concerts in Glasgow and Edinburgh performed by the Scottish National Orchestra next winter will be sponsored by Gulf Oil. This will be in addition to support by Gulf of the fourth winter series of SNO concerts in Aberdeen.

The Sibelius Season will run in Glasgow and Edinburgh from October 1979 to April 1980 and will include all of Sibelius's symphonies.

Television

Law and disorder by CHRIS DUNKLEY

Television drama series and serials are going through a period of broad, deep, and pervasive mediocrity. From the BBC classic adaptation (*Crime and Punishment*) to the modern American import on ITV (*Salvage One*) and on BBC (*Centennial* and *Sword of Justice*) via a German series taken from a novel set in the past (*Peasants, Politicians and Power*) and an English serial written specially for television set in the present (*The Deep Concern*) it is all very ordinary, very average, very run-of-the-mill.

Even Granada's *The Mallens*, which is quite dreadful in the sense that it is a wholly unoriginal and utterly unconvincing woman's magazine saga about "the hard-drinking, hard-loving squire who has his way with any woman he fancies, and his wastrel son and heir, Dick, a weak-willed ne'er-do-well who gambles his life away" (no, not *Flambards*, though the confusion is understandable, but *The Mallens* as described — fittingly — in TV Times) is saved from being an entirely bad production and promoted to the level of ordinariness by some quite impressive location film work. Only *Rumpole of The Bailey* hovers on the brink of excellence.

Crime And Punishment which has just been shown in three parts on BBC2 was the last major work adapted for television by Jack Pulman whose death came so sadly immediately before the series began transmission. It would be unfair to the memory of a man whose skills gave so many millions of intelligent viewers such pleasure, to pretend, just because the appearance of *Crime And Punishment* coincided with his death, that this was one of his greatest achievements. It wasn't.

I Claudius was, and the significant difference between the Graves and the Dostoevsky is not hard to find: where *I Claudius* is chock-a-block with incident, narrative, sequential events, *Crime And Punishment* contains just one event of real moment — the murder — and most of Dostoevsky's book is concerned with musing, introversion, philosophising, and agonising: material which is simple to express in the novel and very hard to express on television.

To pretend that John Hurt, no matter how expressive an actor he may be, was able in the role of Raskolnikov to externalise all the detailed feelings, beliefs, and struggles ascribed to him in the book and to do so mutely with his eyes alone is a nonsense. The fact that it is a nonsense which has been perpetrated not by one but by several reviewers does not reduce its absurdity.

What has happened is that the reviewers, who have, no doubt, all read at least bits of the novel, have projected on to Hurt's mesmeric eyes their own memories of the book, and have then praised the actor for what they themselves have put there. It was interesting to discover from reports of Melvyn Bragg's interview on the *South Bank Show* that the honest and vastly talented Hurt admits that he has never even read the book.

What is really needed is a critic in the same unbiased position, who can look at this television version and decide not whether it is good prose, good Dostoevsky, or a good novel but first whether it is good television and second whether it is good Pulman. (The other question—whether it is a good adaptation—is, in a sense, the least important consideration; a somewhat arcane problem to concern other adaptors and literary critics, but not one which matters much to most of the audience.)

Distancing myself as much as possible from the book, my feeling is that the television serial did not really come alive and start to work until Timothy West's appearance as Porfiry. This is not to denigrate Hurt: he is one of those rare actors, Frank Finlay is another, whose skills and style fit them even better for television than for cinema or live theatre. It is simply that the tension of the duel was needed to make *Crime and Punishment* into an effective television drama.

Whatever the order in which it was actually made, Michael Darlow's direction gave the impression of getting more crisp, tight and decisive as it went along. His exploitation of the superbly researched locations was beautiful, the only irritating touches being occasional quite unnecessary rhubarb scenes in the alleys and back yards.

Salvage One seems to be an adult human version of *Thunderbirds* but nowhere near as exciting as the puppet series, and without its rockets. *Centennial* is worth watching for ten minutes thanks to the scenery and then worth missing for the other 24 hours and 50 minutes thanks to the script, acting, and direction. *Sword of Justice* is like all the other mediocre modern American avenging-forces series you ever saw: last week Our Hero penetrated the villain's fastness, nipped into a ventilation pipe and emerged with unerring accuracy in the office he wanted to burgle. They presumably light the insides of ventilation systems these days and post maps at the entrances.

Peasants Politicians and Power is rather different, and not just because its title sounds like a sociology primer. Much has been written about the series being autobiographical and concerned with the rise of the Nazi party, yet you could only learn that from promotion notes or background reading. If, like me, you simply switched on the programme because it was new, you could have watched the entire 1½ hours without noticing any reference, visual or verbal, to autobiography or Nazis.

What you would have seen was a lot of rather boring to-ing and fro-ing of tax collectors and so on between German countryside and town, interspersed with occasional inspired filmed sequences such as the two clerks being dragged down the road by bolting oxen. Unfortunately the good bits were much too rare and the rest too tedious for words.

The Deep Concern is a BBC-1 series written by Elwyn Jones who has been responsible for much workmanlike material in series such as *Z Cars*. In this story he has an odd collection of people arriving at a country house, and the work has all the intriguing surface attractions one would expect: the nervous young aide in the old Etonian tie; the entertaining dialogue ("I'm sorry but it's one of my real phobias" — "You have unreal ones, too?"); and very mysterious happenings such as antiques being delivered in a hearse. It will be hard to resist watching episode two tomorrow night, though not impossible since the impression is more of surface than of depth.

Easily the best current drama series is John Mortimer's *Rumpole* which is now into its second batch. Since the number of truly memorable original television characters worthy of comparison with those such as Bulldog Drummond and Father Brown from literature is astonishingly small —only Barlow, Dixon and Ena Sharples come promptly to mind —Mortimer can be very proud of having established a new one at all, let alone so quickly. Already the phrase "a Rumpole case" is being used in our real courts of law: fame indeed.

The character as written by Mortimer and played for all he's worth Leo McKern is highly idiosyncratic and enjoyable: very much a part of the establishment as a barrister, yet disrespectful of judges; a lover of Shakespeare and Wordsworth but also of charming villains; a man with unorthodox techniques in court, and in his private life, yet still seen as an elderly and upright pillar by those without the law and by the young; a man who habitually refers to his wife in Rider Haggard's phrase as "She Who Must Be Obeyed."

Moreover there is an elegance to the construction of Mortimer's stories and a wryness in their telling (combining suggestions of Maugham and Chandler) which on television is just as rare as really memorable characters. Last week's yarn involving a case of mistaken identity in court and unmistaken identity in Rumpole's own chambers was a prime example.

Leo McKern and Patricia Hodge in "Rumpole of the Bailey"

What, then, prevents the series being categorised as truly excellent, good enough to rank (however difficult the comparison) with *Country Matters*, say, or *Lost Boys*? It is hard to put briefly, but it has something to do with those very mannerisms and that very elegance: there is a deliberateness in the design and structure which shows through, like a sculptor's armature discernible beneath the clay, perpetually reminding the onlooker that this is, after all, only an imitation of reality. Thus it is impossible to suspend disbelief more than momentarily, and for wholly excellent drama one must wholly believe.

Rumpole is still hugely enjoyable, but his efforts alone cannot lift British television drama very high off the plateau on which it is resting.

Aldeburgh Festival premieres

by ANDREW CLEMENTS

Robin Holloway's setting of T. S. Eliot's "La figlia che piange" is one of a planned set of three songs for tenor and harp written for Peter Pears and Osian Ellis. The other two were finished only three weeks ago: too late for them to be included in the concert at the Maltings, Snape, on Saturday afternoon. Holloway's recent music has included a variety of styles, from the driest of neo-classicisms to the lush romanticism of the fine violin *Romanza* heard at last year's Proms. I suspect that this fine-grained lyricism is very close to Holloway's most personal vein, and that his music will settle down to explore that area of expression. Certainly the Eliot setting is cast very much in the romantic mould—a celebration of the potency of the simplest chords even in an ever changing pattern of key centres for the harp, a liquid, sustained vocal line cunningly placed in the tenor register to disguise any waning in Pear's powers. Out of the context of the complete set it remains a little inconsequential, however — an appetiser rather than a satisfying experience in itself.

Holloway's song was the focus of interest in a strangely bitty concert given by Ellis with the flautist Peter Lukas Graf and the viola player Peter Schidlof. Apart from the Debussy sonata and a version of Britten's *Lachrymae* for viola and harp (gravely and beautifully played by Schidlof, a performance dedicated to the memory of Cecil Aronowitz), they included the first British performance of *Eisteddfod* for flute, viola and harp by the 42-year-old American composer Jan Bach. It's a set of 12 variations on a Welsh *penillion* melody; irritatingly discursive at first and later resolving into standard short-winded variations, it overstays its welcome and borrows too unashamedly from the vocabulary of the Debussy sonata.

Far more meat in Elisabeth Maconchy's 11th string quartet that began the Lindsay Quartet's concert at Blythburgh Church on Sunday night. Not a new work—the Lindsay gave the first performance in the Goldsmith's Hall in December 1977—but important in the context of its composer's output. The idiom, leaning heavily on Bartok, remains familiar from the earlier quartets, yet there is a new coherence in the thematic organisation and structural dovetailing, satisfying if rather earnestly pursued.

The centre of the first Blythburgh concert in this year's festival was given over to William Alwyn's song cycle *A Leave-taking*. Alwyn is a Blythburgh resident, and his programme note suggested that this cycle was to be his farewell to composition: "I still have much I want to express in poetry and painting." The seven settings of the neglected Victorian poet John Leicester Warren, Lord de Tabley, are predominantly subdued, lyrical and sombre in turn, the focus a menacing version of "The Study of a Spider," the most beautiful "The Two Old Kings"; all of them are good examples of Alwyn's delicate if conservative word setting, all are inescapably valedictory. It is an onerous task to be entrusted by a composer with his last utterance but the dedicatee, Anthony Rolfe Johnson, accompanied by David Willison, produced an eloquency that must have deeply touched the composer.

THE BUDGET: THE CHANCELLOR'S SPEECH

Public spending cuts · Reduced state role

SIR Geoffrey Howe, the Chancellor, presented his first Budget yesterday. He attacked the legacy left by Labour and presented a formula to overcome the "years of decline." He called for public spending *cuts of £1.5bn, a 2 per cent increase in Minimum Lending Rate,* VAT increased to 15 per cent *and* sale of state assets totalling £1bn.

Freddie Mansfield

Sir Geoffrey Howe leaving 11 Downing Street to present his Budget speech to the Commons yesterday.

"IT IS a little over five years since my predecessor, the Rt. Hon. Member for Leeds East, rose at this despatch box to present his first Budget. Like me, he did so within a very few weeks of his party's success at a general election. In compressing the huge and complex process of Budget-making into so short a time, he faced—as I have done—a formidable task.

"I have received unstinting support not just from my fellow Treasury Ministers but from many people, of every rank, within the Treasury and the two Revenue Departments. But for their willingness to work far beyond the call of duty it would scarcely have been possible for me to present this Budget at all.

"So I gladly echo my predecessor in acknowledging this assistance with a very real sense of gratitude.

"I echo him too in saying that I approach my task—and I assure the House that I quote his very words—'in a mood of *humility and trepidation.*'

"I say that not just because of the novelty of the experience —although that is daunting enough—but much more because of my sense of dismay at the disturbing familiarity of the occasion from the point of view of almost everybody else.

"For, as the House will recall, this is the fourth Budget in the last 15 years to be introduced by a new Chancellor in a new Government. The late Iain Macleod, alas, did not live long enough to be included in this series. Before me there was, in 1964, the present Leader *of the Opposition; in 1970,* my noble friend, Lord Barber; and in 1974, the Rt. Hon. gentleman, the Member for Leeds, East.

"The depressingly familiar feature of the first Budget speech of each of these three predecessors is that every one of them found cause to complain, with more or less justice, about the disagreeable nature of the economic estate that had come his way.

"The House will understand, in light of the most recent evidence about inflationary trends, monetary growth, Government borrowing and the *deteriorating trade balance*— not to mention the post-dated cheques for public sector pay that I found on arrival at the Treasury—that I am in no position to discontinue that tradition.

Inflation back on the rise

"For so many other facts tell the same story. Consumer spending rose last year, in percentage terms, by seven *times as much as manufacturing* output. We actually manufactured 4 per cent less goods in 1978 than in 1973. But the volume of manufactured imports went up by 13½ per cent. Though demand was rising strongly, and unemployment remained high, the economy was almost unable to increase supply.

"The current account of the balance of payments was barely in surplus last year, despite a massive contribution of £3½bn from North Sea oil and gas. And well before the last Administration left office, inflation was back on a rising trend. Although many price increases had been held behind the General Election dam, the rate of inflation in the six months to April—excluding seasonal foods—was running at no less than 12.3 per cent at an annual rate.

"On that form and on the policies which brought it about, there is little reason to expect any improvement in the future. Productivity is rising less than half as fast as in the early 1970s. And there is no sign of any change for the better there.

"Last year's growth in demand could never have been sustained. For, as the trade figures make clear, it was largely met from imports. This is the main reason why the recent fall in unemployment was, in any event, likely to be reversed.

"It would be easy to conclude that these difficulties are all the fault of the last Administration. And certainly the party opposite bears a heavy responsibility. Labour Governments have, after all, been in office for 11 of the last 15 years. Even so, I want to consider our problems in an even longer perspective.

Threat of decline

"Only a quarter of a century ago—within the memory of almost every Member of this House—the people of the United Kingdom enjoyed higher living standards than the citizens of any of the larger countries of Europe. Among the free nations of the world, Britain was then second only to the United States in economic strength.

"Not so today. For example, France and Germany's combined share of world trade in manufactured goods, which in 1954 was almost the same as Britain's alone, is now more than three times as large as ours. The French people now produce half as much again as we do. The Germans produce more than twice as much. And they are moving further ahead all the time.

"There has, of course, been plenty to say in mitigation of these developments. At least until recently, we have been able to claim a good record in most of those things that can be summed up in the phrase 'the quality of life.' But in the last few years, the hard facts of our relative decline have become *increasingly plain.* And the threat of absolute decline has gradually become very real.

"That is not a prospect I am prepared to accept. Nor, I believe, are the British people. They realise that we cannot for ever go on avoiding difficult choices in the fatal, and increasingly futile, quest for easy solutions.

Dangerous preoccupation

"Naturally, as inhabitants of a country that has always been deeply involved in the international economy, we pay a great deal of attention to events outside our own country.

"But it would be very dangerous if preoccupation with this or that 'world crisis'—'the oil crisis,' 'the dollar crisis,' or whatever—led us to believe that our economic troubles could be blamed mainly on the outside world.

"The truth is that our troubles are very largely home-made. If we tackle them ourselves, then we can pull our own economy *round, even in a world of slow* growth. If we do nothing to change course, then nothing that happens beyond these shores can help us.

"As it happens, the international environment is unlikely to give us any comfort in the years immediately ahead. Oil prices are now, on average, about 30 per cent higher than six months ago.

"This is one reason why growth in most countries is likely to be significantly lower than in 1978. So we clearly now need to do more about both conservation and supply of energy.

For that reason, it will be an important subject for discussion at the next meeting of the European Council, and at the Economic Summit in Tokyo at the end of this month.

"In this disturbed situation, the European Community can, and should, be a source of stability and of strength for its members. In one important area, however, present EEC policies are seriously hindering our efforts to help ourselves.

"The United Kingdom and Italy, which are among the poorer members of the Community, are transferring substantial resources to richer member states, chiefly through the Community Budget.

"We have already made it very clear to our partners that this cannot be allowed to continue. It is plainly unfair. And it is against the interests of the Community itself. We shall continue to press for an agreement which meets our case.

> "IN THE last few years the hard facts of our relative decline have become increasingly plain and the threat of absolute decline has gradually become very real. That is not a prospect I am prepared to accept. Nor, I believe, are the British people."

"But, I repeat, progress internationally, whether on energy policy or within the Community, will not cure the deep-seated weaknesses of our own domestic economy.

North Sea oil warning

"Nor will North Sea oil. Growing production will certainly put us in a better position than other countries, without oil of their own. But it must not be allowed to conceal the grim truth about what has been happening to the balance of our own trade, particularly in manufactured goods.

"North Sea oil will itself do nothing to solve the problems on the supply side of our economy. Nor will it check inflation. Indeed, in some respects it may actually make matters worse, unless we correct some other aspects of policy which are at present working in the wrong direction.

"So we find ourselves, yet again, asking the question: how are we to check, and then reverse, the long decline? In particular, what can we, here in this House of Commons, do about it?

"We do well to begin, I suggest, by acknowledging that there is a definite limit to our capacity, as politicians, to influence these things for the better. I suspect that that view is much more widely accepted outside this place than it is within.

"I do not mean to be unkind to my predecessor when I invite the House, for a moment, to consider his experience. The Government of which he was a prominent member consistently behaved as if it was possible for Government to manage, indeed to plan, the economy, so as to promote efficiency and growth. The Rt. Hon. Gentleman, Member for Leeds, East, did this with notable enthusiasm. For in five years of office he introduced no less than 15 Budgets and economic "packages," and financed a wide range of policies in the name of "the regeneration of industry."

"But, at the end of five years, he must ask himself, to what avail? Has the industrial strategy, as he conceived it, really transformed the outlook for *British industry? Are we not* driven to the conclusion that the notions of demand management, expanding public spending and 'fine tuning' of the economy, have now been tested almost to destruction?

"Certainly the rt. hon. Gentleman, the Leader of the Opposition, has come round to that view. For, as he said in a memorable speech on September 28, 1976:

"'We used to think that you could just spend your way out of a recession and increase employment by cutting taxes and boosting Government spending. I tell you, *in all candour,' said* the rt. hon. Gentleman, 'that that option no longer exists. . .'

"The rt. hon. Gentleman, the Member for Leeds, East, has, in the event, been proclaiming the *same* conclusion. For he has throughout asserted the importance of monetary policy. He rightly began the practice of setting money supply targets. And he claimed to make his public spending plans accordingly. This means that I am able to approach my task this afternoon on this one, crucially important, piece of common ground: that the poor performance of the British economy in recent years has not been due to a shortage of demand. We are suffering from a growing series of failures on the supply side of the economy.

Innovation discouraged

"It is our belief that many of these failures are themselves the result of actions and interventions by Government itself: laws that stand in the way of change and stifle enterprise; and, as important as anything, a structure of taxation that might have been designed to discourage innovation and punish success.

"Of course, there are many other causes of our decline. That is not in dispute. But we believe that it is more sensible for Government to make those beneficent changes that are undoubtedly within its power than to preach the need for changes that lie well beyond its authority. Certainly, improvement remains unlikely unless we are prepared to change the laws and taxes to which I have referred.

"This is why the British people are convinced, as we believe, that it is time for a new beginning. So, our strategy to check Britain's long-term economic decline, which has gathered pace in the last five years, is based on four principles.

"We need to strengthen incentives, by allowing people to keep more of what they earn, so that hard work, talent and ability are properly rewarded.

"We need to enlarge freedom of choice for the individual by reducing the role of the State.

"We need to reduce the burden of financing the public sector, so as to leave room for commerce and industry to prosper.

"And we need to ensure, so far as possible, that those who take part in collective bargaining understand the consequences of their actions—for that is the way to promote a proper sense of responsibility.

"These are simple principles. But they require substantial change in the way in which our economy is allowed to work.

"The tax changes I shall propose today will be only the first step. They will take us a long way in the right direction.

"But they will not themselves be enough unless we also squeeze inflation out of the system. It is crucially important to re-establish sound money. We intend to achieve this through firm monetary discipline and fiscal policies consistent with it, including strict control over public expenditure.

Pay linked to inflation

"Financial responsibility on the part of Government must be supported by responsibility elsewhere. People must understand and accept that the only basis for real increases in wages and salaries is an increase in national production. Higher pay without higher productivity can only lead to higher inflation and unemployment.

"It is important for this to be fully understood by all those involved in wage negotiation. We shall be more than willing to consider better methods of ensuring that it is.

"Given the monetary and fiscal policies to which we are firmly committed, irresponsibility is bound, as I have said, to threaten jobs. This indeed is the clear evidence of recent history, most plainly in the private sector.

"Responsible bargaining necessarily means different things to different people and in different kinds of firms and industry.

"*But on both sides of the* table certain limitations must be recognised: in the public sector, what the rate payer and tax payer can afford; in industry, what the customer is prepared to pay, what the firm needs to invest, and what the pressure of competition demands; and, throughout the economy, the limits imposed by the need to control the money supply.

"As I have already observed, my predecessor was undoubtedly right to adopt a system of monetary targets. But his other policies were seldom consistent with his own monetary objectives.

Savage private sector squeeze

"Thus, although monetary growth in 1978-79 as a whole was just within the target range of 8-12 per cent, it was growing in the second half of the year at an annual rate of almost 13 per cent.

"Moreover, the May figures, now becoming available, indicate that the underlying growth is still above the top of the range and, if anything, accelerating. One cause of this has been the alarming rate of central government borrowing: £2½bn in April and May alone.

"It is now clear that the public expenditure policies which we inherited would have made it quite impossible to meet the Rt. Hon Gentleman's 8-12 per cent target without a further savage squeeze on the private sector, involving not just higher interest rates but a sharp increase in the total tax burden as well.

"*Not for the first time, the* levels of public spending and borrowing which he permitted were far too high to be compatible with his own monetary targets.

"Reluctantly, I shall myself be obliged to take painful action to correct that mistake.

"We are committed to the progressive reduction of the rate of growth of the money supply. I therefore intend, despite the discouraging backcloth and as the first step in this process, to reduce the target range for the remainder of this year, 1979-80.

"The new target range, to apply to the growth of sterling M3 in the 10 months to the banking make-up day in April 1980, will therefore be an annual rate of 7 per cent-11 per cent. I will roll the target forward by six months in the autumn.

"Equally important, I intend to improve the way in which the monetary target is achieved. We need to rely less on curbing the private sector, and put more emphasis on fiscal restraint and economy by the public sector. This requires, as a first step, a *significant reduction in the* Public Sector Borrowing Requirement from the figure of around £10bn that it would otherwise have reached this year.

"There are, however, limits to what can be done in the Budget, with two and a half months of the financial year already passed, to curtail the scale of public spending in the current year. This is indeed a severe handicap.

MLR increased to 14 per cent

"I intend, even so, to reduce the public sector's financial needs enough to make it possible to achieve my monetary target with less restraint on the private sector.

"But the fiscal measures which I am announcing today must inevitably take time to take effect. They cannot immediately reduce the seriously excessive monetary growth that we have inherited.

"Particularly given the continuing surge in bank lending, I have concluded that there is no option but to act directly to reduce that growth. It is not enough to speak of the importance of monetary policy, unless one is prepared to carry one's words into practice.

"The Bank of England are accordingly rolling forward the Supplementary Deposit scheme, or 'corset,' by three months on the existing basis.

"In addition, the Bank are announcing this afternoon, an increase in their Minimum Lending Rate by 2 per cent to 14 per cent. I must make it very plain to the House that the necessity for this action ranks alongside the trade figures as entirely characteristic of the legacy of the last administration.

"I return now to consider the right size of the Public Sector Borrowing Requirement in the current year. As my predecessor found to his cost, this is a fickle and elusive statistic.

"That is why I offer my judgment of the scale of Government borrowing in 1979-1980 with a degree of caution. Having said that, by best estimate is that the changes in taxation and public expenditure which I am announcing today will be sufficient to reduce the PSBR to £8¼ billion in the current year, as compared with the outturn of £9¼ billion for 1978-79.

"As a percentage of GDP, that will represent a reduction from over 5½ per cent last year to under 4½ per cent in the current year. The public sector deficit will also fall from 4¼ to 3¼ per cent of GDP. These are important steps in the right direction. I intend to continue *along this path in the years* ahead.

"It will no doubt be argued by some—although I do not think it can be so argued by my predecessor — that fiscal action to bring down the PSBR to the figure I have mentioned is unduly severe. And indeed the conventional forecasting arithmetic, which, in accordance with custom and statute, I am publishing in the Financial Statement, does suggest that the economy will show no growth in the period immediately ahead.

"But this prospect, in so far as it can be viewed as a reliable prediction—which itself is open to doubt—cannot be taken to mean that the Budget is, in the traditional language of neo-Keynesian economists, perversely contractionary.

"To make this claim is to argue that an alternative course of fiscal policy would produce more growth and more employment. I believe this argument to be profoundly wrong.

"To aim at a significantly higher Public Sector Borrowing Requirement—in other words to ease the stance of fiscal policy— *would serve only to fuel the fire* of inflation. In the end, we should have less growth, less employment, and even higher prices.

"Even the Leader of the Opposition must accept that, if he remembers what he said at Blackpool, nearly three years ago. It follows that any decline in economic activity which might, on a narrow view, be attributed to this Budget will be essentially the consequence of the economic situation which has made such measures inevitable, while inflation is being brought under firm control.

"I come now to my proposals. I propose to deal first with the question of exchange control.

"Sterling is at present relatively strong, and I expect it to remain so. This strength flows partly from the realisation that, as a result of North Sea oil, the UK is better placed than most of our competitors to deal with present world oil problems.

Exchange flexibility

"Moreover, our fiscal and monetary policies should maintain confidence in the currency. This is, therefore, an appropriate time to start dismantling our apparatus of controls on outward capital flows. Our present regime is more restrictive than that of any other major industrialised country.

"There is an overwhelming case, in this context as in others, for giving both companies and individuals wider freedom of choice. This should reduce the distortions and costs which controls are bound to impose on economic decisions. These costs bear particularly heavy on smaller companies.

"We intend to move one step at a time. In this initial stage, the emphasis will be on direct investment overseas. Details are being made available in the Vote Office.

"The main relaxation will be to make official exchange, to the extent of £5m per project per year, freely available for new outward direct investment. This should allow the majority of UK firms who invest overseas all the sterling finance they are *likely* to want.

"The two-thirds rule, which restricts the re-investment of profits earned overseas, will be abolished. This greater freedom in the financing of direct investment abroad does not, as is sometimes feared, threaten jobs in the United Kingdom.

"The weight of evidence is that overseas investment generally strengthens our position in world export markets to the benefit of output and jobs in this country. Moreover, additional investment overseas today will yield an income that will stand us in good stead when the overseas earnings from North Sea oil begin to decline.

> "NORTH SEA oil will itself do nothing to solve the problems on the supply side of our economy. Nor will it check inflation. Indeed, in some respects it may actually make matters worse."

"During the sterling crisis of 1976, the last Government stopped the use of sterling to finance third country trade. This restriction has placed British merchants at a disadvantage in international business and I am taking the opportunity to restore the facility to them as soon as the details can be worked out.

"I have also decided that there should be some immediate easement of the controls affecting individuals. I am, therefore, making significant relaxations in the rules concerning travel and emigration allowances, overseas property, and cash gifts and payments to dependents.

Portfolio investment

"In the field of portfolio investment, I am taking two modest steps at this stage. I am abolishing the requirement to maintain 115 per cent cover for overseas portfolios financed by foreign currency borrowing: and official exchange will henceforth be available for meeting interest payments on such borrowing. The 1975 controls on gold coins will also be abolished.

As the House knows, the liberalisation of exchange con*trols is one of our obligations* under the EEC Treaty. I have accordingly discussed with the Commission the decisions I am announcing today.

"As time goes by, I intend to take further steps in the progressive dismantling of exchange control. The pace of relaxation will obviously be influenced by sterling's strength as well as by the speed with which we can solve the economic problems that face us.

"In our external policy we have also to take account of our official external debts. These at present amount to $22bn— a massive increase on the $8bn which the previous Government inherited in 1974.

"It is our intention to reduce this burden of external debt substantially during the life of this Parliament.

Improving the public services

"In order to reduce the borrowing requirement and the burden of direct taxation we must make savings in public spending and roll back the boundaries of the public sector. We are totally committed to improving standards in the public services. But that can only be achieved if the economy is strong. So that will be our first priority. Finance must determine expenditure, not expenditure finance. Substantial reductions in expenditure can and will be made in the remainder of this financial year.

"First, as I made clear three weeks ago, we shall not raise the cash limits to cover prices higher than those provided for in the cash limits originally published for this year. On pay in the public services, while we will honour the commitments to the universities and the health authorities entered upon by our predecessors, in general we will limit the adjustment of the cash limits so that substantial offsetting economies will have to be found.

"The need for substantial economies applies equally to local authority expenditure, where the Government's contribution is made through the rate support grant. As I said three weeks ago, we shall take account of pay settlements in calculating the increase orders for the rate support grant, but we shall make a significant across-the-board reduction from the total so calculated.

"I can now tell the House that the reduction will be £300m for England and Wales and £35m for Scotland, out of total rate support grant expenditure of about £9bn. These figures may have to be increased when we know the cost of further pay increases and will be finally determined in November, before the increase orders are made. In coming to this decision, a major factor has been how much in present circumstances it is reasonable for the taxpayer to contribute.

"The cash limits on Departments and fringe bodies are being set to ensure that econo*mies of 3 per cent* are achieved on manpower costs this year, as announced by my honourable friend, the Minister of State in the Civil Service Department.

"I estimate that this cash limits policy will reduce the volume of planned expenditure by about £1bn at 1979 Survey prices.

Job subsidy reduced

"On top of these reductions *from the policy on cash limits,* my rt. hon. and hon. friends have reviewed the plans for their Departments and the nationalised industries and have identified further specific reductions which are being made this year. The changes are listed in a notice to be issued by the Treasury today, and available in the Vote Office. Further details will be given by the Ministers concerned. But the House will want to know where the main reductions will be made. All figures are at 1979 Survey prices.

"We are making an immediate start in reducing expenditure on industrial and employment subsidies. My rt. hon. friend, the Secretary of State for Industry, is cutting expenditure on industrial support this year by £210m. This will come mainly out of the provision for new projects by the Department of Industry and by the National Enterprise Board, and by imposition of a delay of four months in payments of approved claims for regional development grant. Support from the employment programmes is to be concentrated on the areas where unemployment is highest. Savings of over £170m will be made in these programmes this year.

"In the area for which my rt. hon. friend the Secretary of State for Energy is responsible savings of over £320m are being made this year in the finance for BNOC and the electricity, gas and coal industries. The industries have been asked to avoid so far as possible increases in fuel charges beyond those required to meet the cash limits announced by the previous Government.

"My rt. hon. friend, the Secretary of State for the Environment, is making savings of about £440m from his programmes this year, mainly by scrapping the Community Land Act, deferring water authority investment and reducing the existing allocations to housing authorities.

"As we have repeatedly made clear, it is not our intention to reduce spending on the health service. But we cannot ignore the fact that the contribution made by some health charges has greatly diminished in recent years.

School meal prices pegged

"This applies especially to prescription charges, which have stood at their present level for eight years, during which prices have risen over two and a half times. It is therefore proposed to increase prescription charges to 45p. This will still leave them cheaper in real terms than they were in 1971, and the present wide range of exemptions covering children and the elderly among others will, of course, be maintained.

"Certain dental charges will also be increased. These changes will yield £34m in 1979-80 for Great Britain as a whole.

"My rt. hon. friend, the Secretary of State for Education and Science, is reducing expenditure in those areas of the education and science programmes within the Government's direct control by about £55m. We shall not add to the increase of 5p in the school meal charge which was planned by our predecessors for the autumn term.

"The aid programme this year is being reduced by £50m.

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Industrial aid · Energy saving · Higher VAT

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avings are also being made on he transport, trade and arts programmes.

"My rt. hon. friends, the ecretaries of State for Scotand, Wales and Northern reland are making comparable eductions in their own programmes.

"In total these reductions mount to almost £1½bn this ear.

"In addition, we do not ntend to use as large a Conungency Reserve as provided or 1979-80 in the last Government's public expenditure White Paper.

"We have decided to cut the eserve by £250m. Any further ecision to add to the volume f programmes in the remainder

> (THE LAST Government) consistently behaved as if it vas possible for Government to manage, indeed to plan, he economy so as to promote efficiency and growth."

f this year will be met from the alance of just over £250m which will remain in the reserve fter today.

"In two areas we are proiding for increased expendiure—defence and pensions. An xtra £100m is being provided or the defence budget this year. This will enable essential proects in the equipment programme to go ahead. I shall eturn to the pensions improvenents shortly.

"As I have already indicated, e are only just embarking on ur review of the plans we have iherited and of the scope for educing the size of the public ector. But it is already clear hat the scope for sales of assets s substantial.

"Sales of state-owned assets the private sector serve the nmediate purpose of helping to educe the excessive Publicector Borrowing Requirement ith which I was faced. This is ll the more necessary this year. iven the difficulty of cutting ack public sector spending programmes once a year has lready begun.

Precise mix of assets

"But such sales are not ustified simply by the help ey give to the short-term duction of the PSBR. They e an essential part of our ng-term programme for omoting the widest possible rticipation by the people in e ownership of British dustry.

"This objective — wider ablic ownership in the true eaning of the term—has nplications not merely for the ale of our programme, but so for the methods of sale we hall adopt.

"So far as this year's disposals re concerned, we must bviously retain flexibility on ming and on the precise mix f assets in order to ensure a ir price. I do not therefore ropose to announce the details day.

"But I intend to ensure that he proceeds of sales in the urrent financial year will mount to some £1bn and I have aken account of this in the udget arithmetic. The biggest ontribution to this total will ome from the sale of a further art of the Government's shareolding in British Petroleum, where we shall be following the xample set by the last Administration.

"In total I estimate that the conomies I have announced vill amount this year to about 3½bn at 1979 survey prices and 4bn at current prices. Yet given he scale of the problem we have nherited, I must look for a further contribution from inirect taxes to finance the first tage of our plans for the eduction of income-tax.

"Before turning to the first of my tax proposals, I must make it clear that today's Budget will only be able to deal with a small part of the Government's tax agenda. Coming, as we do, to a Finance Bill at this late stage in the year, there is a physical limit to the amount of legislation that can be proposed and enacted.

"We have been unable to deal with many important matters. There will be other opportunities to consider those. At this stage, we have concentrated on tax changes of strategic importance. I now turn to the first of these.

Worthwhile to work

"We made it clear in our manifesto that we intended to switch some of the tax burden from taxes on earnings to taxes on spending. This is the only way that we can restore incentives and make it more worthwhile to work; and at the same time increase the freedom of choice of the individual. We must make a start now.

"I have reviewed the whole field of indirect taxation to decide where the increased revenue could best come from. There are many cogent arguments at this stage in favour of Value-Added Tax.

"First, large areas of consumer expenditure, in fact about half the total, are not chargeable to VAT. Food, children's clothes, heating and light, public transport, house prices and rents are all zero rated.

"Second, poorer households tend to spend proportionately more of their income on such zero-rated goods. This means that, unlike most indirect taxes, VAT is not regressive.

Third, by comparison with taxes such as those on alcohol and tobacco, VAT is much more broadly based.

"Fourth, there is a real opportunity for simplifying the operation of the tax by having one rate instead of two.

"In his speech on May 22, the rt. hon. gentleman, the Member for Leeds East, seemed to favour increases in the surcharge on National Insurance contributions or in Advance Corporation Tax.

"The National Insurance Surcharge falls on the whole of British industry, including production for export, but not on imports. It is inferior in this respect to VAT, which falls on imports but not on exports. This is clearly significant in light of the latest trade figures.

"An increase in Advance Corporation Tax would damage the overall liquidity of industry at a particularly difficult time; by contrast an increase in VAT actually increases it.

"For all these reasons my choice must fall on VAT. Moreover, the increase I make must be sufficient to provide for substantial and worthwhile reductions in income tax. I propose, therefore, that, as from next Monday, VAT should be charged at a new unified rate of 15 per cent.

Scope for more tax reduction

"Allowing for the wide range of goods and services which are zero-rated — and which will stay zero-rated — the new rate I propose is equivalent to 8 per cent, averaged over the whole of consumer expenditure. This is significantly less than the average in the European Community.

"The yield from the increase to 15 per cent is estimated at £2.035bn in 1979-80 and £4.175bn in a full year. Thus it will provide scope for further direct tax reductions in later years. The relatively small size of the yield this year reflects the loss of over two months' revenue between April and the present, and the time lag allowed to traders before they pay over VAT receipts to the authorities — an average of over three months.

"I have referred to the helpful contribution this gap provides towards improving liquidity. For as these funds build up in traders' hands, they provide a substantial boost to the liquidity of the firms and companies concerned.

"Concern has been expressed that an increase in VAT could lead to some particular difficulties, for example in relation to telephone bills for calls made before the date of change. I am proposing transitional provisions to deal with this and some of the other problems in this field.

The increase in VAT will, of course, add significantly to the point of sale prices of drink and tobacco. For example, the VAT increase will mean about an extra 28p on a bottle of whisky, approximately 2p on a pint of beer and 6p on a typical packet of 20 cigarettes.

"In these circumstances, I do not think it would be justifiable to make a separate increase in the excise duty on drink and tobacco this year.

"I fully realise that this increase in Value-Added Tax will result in a rise in prices—in fact a rise of about 3½ per cent in the Retail Price Index. This is, of course, a once-for-all

> "HIGHER PAY without higher productivity can only lead to higher inflation and unemployment. It is important for that to be fully understood by all those involved in wage negotiation."

effect. But there never will be a time when it is easy to effect the switch from direct to indirect taxes and the present moment is no exception. This much-needed reform has been postponed too long already.

The House should bear in mind that, as I have already indicated, VAT does not fall on a wide range of necessities. This means that the increase will fall less heavily on people in the lower income groups. And, as will be apparent when I come to my income tax proposals, I shall be leaving people with more money in their pockets with which to pay the increased VAT.

"I appreciate, however, that those who are not liable to income tax, and I have in mind particularly many of those living on retirement pensions, will not benefit directly from my income tax proposals. This brings me to o— propsals in the field of social security.

Higher old age pensions

"The Government have decided to increase the standard rate of retirement pensions in November by £6.10 to £37.30 for a married couple and by £3.80 to £23.30 for a single person. These increases take full account of the underestimate which the last Government made of the actual rise in earnings between November, 1977, and November, 1978, and are well above the figures of £4 and £2.50 announced by the previous Government.

"Other social security benefits will also be increased, and my Rt. Hon. Friend, the Secretary of State for Social Services, will announce full details tomorrow.

"This means that social security pensioners will be fully protected against the increase in prices. This is what is really important. But the extent to which we can afford to go further than this—to add improvements in real terms—must depend on the productive capacity of those in work.

"Under the present rules, pensions are uprated on the basis of the movement in prices or earnings, whichever is the greater. The Government have decided, however, that for the future the requirement for the statutory uprating of pensions should be based on price movements, and we shall be introducing legislation to this end.

"This will be a minimum requirement, and will fully protect the value of these pensions against price increases at all times, including those arising from indirect tax changes, such as I have just announced.

"Of course, we want to be able to do more. I am confident that in time, as our economy improves, it will be possible to do more and ensure that pensioners share in the increase in national prosperity. That is one more reason why my other proposals today are so important. For they are intended to strengthen the productive capacity of the economy as a whole.

"We also propose to improve certain other social security benefits. Child benefit went up by £1 per week only two months ago, and we do not propose a further increase this year. But single parent families face particular problems, and we propose that the one parent premium should go up from £2 to £2.50 next November.

Social security complications

"We also want to help the disabled. Mobility allowance will accordingly be increased from £10 to £12 in the autumn. And we shall, of course, honour our commitment to pay a Christmas bonus this year of £10.

"These measures overall are worth about £1,100m in 1979-80 and £2,700m in a full year. They are largely covered by the existing social security programme, and the balance has been charged to the Contingency Reserve.

"As the House knows, my general policy is to make substantial reductions in public expenditure. But the reductions in public expenditure must not be done in a way which bear unfairly on the more vulnerable members of society.

"Our social security system has become far too complicated and it sometimes acts to reduce the incentive to work. The problem is widely recognised on both sides of this House. We are therefore studying a number of aspects of the social security system to see what can be done to simplify it. My Rt. Hon. Friend, the Secretary of State, is also putting in hand urgent measures to tighten up on abuse and fraud.

"I dealt earlier with the excise duties on tobacco and drink. The oil duties, however, raise wider issues. I have already mentioned the general case for measures which will help us to meet the growing and undoubted need to conserve oil.

"At a time when there is a worldwide shortage of crude oil it is essential that we should play our full part in achieving the 5 per cent reduction in consumption to which the previous Government rightly committed us.

"I therefore propose to increase all the main oil duties this year. In the particular case of petrol, the VAT increase from 12½ per cent to 15 per cent will be smaller than for many other items. With this in mind I propose to increase the petrol duty by 7p a gallon—which will result in a total price change of about 10p a gallon.

"I also propose to increase the duty on derv by the same sum, 7p a gallon, and the duty on heavy oil other than derv, by ½p. I am not, however, increasing the duty for burning oil and for domestic paraffin, which is the oil used most commonly in the home, particularly by pensioners.

Car tax unchanged

"The yield from these excise duty changes is estimated at an additional £525m in a full year, £400m in 1979-80. The immediate increase in the RPI will be about one quarter of 1 per cent.

"In view of the increase I am proposing in the road fuel duties I have decided to make no change in the rate of vehicle excise duty. Our predecessors announced their intention of abolishing the duty on petrol driven vehicles.

"As my Rt. Hon. Friend, the Minister of Transport, has already said, we are reviewing the future of this duty and we shall announce our conclusions in due course. For heavier goods vehicles, my Rt. Hon. Friend will be announcing plans for restructuring the form of this tax.

"Before I leave the subject of motor cars, there is a particular issue I need to deal with. There is a weakness in the present legislation on capital allowances which enables leased cars to avoid the special rules restricting allowances for business cars.

"This has resulted in a loss of tax which is currently running at about £175m a year; and which could well rise to £200m next year if I take no action. I propose to put this right with effect from today.

"I turn next to petroleum revenue tax. The previous Government announced last August that they proposed to increase this tax from January 1, 1979. These proposals were discussed very fully by the last Government with the industry and we ourselves have had representations about them, which we have carefully considered.

"I have judged them now against the background of recent rises in the price of oil. On that basis, the original package of PRT proposals for giving the Government more revenue from the North Sea is now fully justified.

"There will accordingly be provisions in the Finance Bill to implement it. I also propose, however, to introduce some changes in the PRT expenditure rules for which the industry have been pressing for some time. And the British National Oil Corporation will no longer be exempted from PRT.

"These proposals will increase the Government's revenue from the North Sea (at 1978 prices) by about £110m this year, and by about £1,800m over the period to 1985.

'Capricious' capital tax

"Before I deal with the taxation of business profits, I propose to refer to the taxation of capital, a matter of vital interest to business as well as to individuals.

"We made it clear in our manifesto that we were determined to make the taxation of capital simpler and less oppressive. The objection to Capital Gains Tax in its present form is that most of the yield comes from paper gains arising from inflation.

"The tax is, therefore, a capricious and sometimes savage levy on the capital itself. The Capital Transfer Tax, despite the improvements secured in the last Parliament by constant pressure from the Conservative benches, is oppressive, harmful to business, and a real deterrent to initiative and enterprise.

"It is perfectly natural that people should want to build up capital of their own and pass it on to their children; this is particularly true of the small business proprietor.

"The issues involved in both of these taxes are difficult and complex. I have, therefore, decided that we should not attempt to deal with them in the coming Finance Bill — abbreviated as it is bound to be — but should press ahead with a thorough study, with a view to legislation on all these matters at an early date.

"There is, however, one specific issue on which legislation is required in order to hold the present position. I propose to extend for a further two years the period for CTT transitional relief for capital distributions from discretionary trusts and to defer for two years the introduction of the periodic charge.

"The Development Land Tax, however, is a very different matter and calls for immediate action. This tax has combined with the Community Land Act to prevent much worthwhile development and to increase unemployment in the construction industries. We have already said that we will repeal the Community Land Act.

"I propose now to deal with the Development Land Tax. In place of the present rates of 66⅔ per cent and 80 per cent, which the previous Government intended should rise to 100 per cent, I propose that Development Land Tax will in future be charged at a single rate of 60 per cent.

"The amount of development value which can be realised in a financial year without liability to Development Land Tax will be raised from £10,000 to £50,000. Both these changes take effect for disposals made on or after today.

Taxation of profits

"I do not propose to make any further reductions in rate; and the generous increase in the exempt slice should mean that it will not need early revision.

"Owners of development land will, therefore, have no reason for holding back in the hope of further tax reductions. What I have said today should remove the major uncertainties which have been hanging over the market.

"I now turn to the taxation of profits. A vigorous, profitable and expanding company sector is essential if we are to rebuild this country's prosperity. Profitability has dropped sharply in recent years and the rate of return on capital employed is now far too low. This is especially true of manufacturing industry.

"Without higher profits we shall not see the new investment and jobs which are so urgently needed. Achieving those profits is very largely the task of management and workpeople. The Government can help or hinder them, and this is no time to add to the difficulties that they face by raising taxes on profits still further.

"Against that background I propose no change this year in the general system or in the rates of Corporation Tax. Nor would it be right to make any major changes in the system of company taxation without careful consultation in advance.

"Looking further ahead, however, it is important that the tax system should take account of the effects of inflation on businesses, and do so in a way that is reasonably objective, equitable and simple to administer.

"The Government will therefore be reviewing this matter along with the accountancy profession's latest proposals for current cost accounting. I am arranging for the Inland Revenue to consult the accountancy profession and business later in the year.

"I need however to deal now with the question of stock relief. The Finance Bill will include legislation to honour the undertaking which my predecessor gave last year, and which we supported, to write off the deferred tax liabilities arising from stock relief given for the first two years of the scheme—1973-74 and 1974-75: and thereafter to write off these liabilities in respect of each subsequent year, after they have been outstanding for six years.

"In addition, following consultations which the Inland Revenue have had with industry, I am proposing two further changes in the stock relief scheme. I intend to reduce the profit restriction for unincorporated businesses from 15 per cent to 10 per cent: and all businesses will be given greater flexibility in the amount of relief they can claim. Both these changes will be of particular benefit to small businesses.

Stock relief scheme changes

"Details of the stock relief and car leasing proposals will be given in Inland Revenue Notices which I am making available in the Vote Office.

"I now come to dividend control. If industry is to flourish it needs not only adequate profits but a vigorous capital market to provide funds for investment and expansion. The control of dividends has now outlived its purpose. The control will accordingly come to an end when the existing legislation expires on July 31.

"We on this side of the House have consistently championed the cause of smaller businesses. So I also propose to raise this year the qualifying profit limits for the small companies rate of corporation tax—to the figures of £60,000 at the lower end and of £100,000 at the upper end. This will go some way further than is necessary to maintain their real value.

"In the tax field, however, there is one measure that will do more than anything else to encourage smaller businesses—indeed businesses of every size. That is a major reduction in the burden of income-tax.

"That brings me to the keystone of our policy. Excessive rates of income tax bear a heavy responsibility for the lack-lustre performance of the British economy. We need, therefore, to cut income tax at all levels.

"For the reasons I have already explained, I cannot do as much this year as I should have liked, and I cannot do as much as is needed. But, although it is only a first instalment, there should be no doubt in anyone's mind that this Budget marks a turning point.

Budget marks a turning point

"I begin with the higher rates of tax. The upper rates no longer affect only those on very high incomes. They apply to senior executives and middle managers in industry and increasingly to skilled workers: as well as to professional people and the proprietors of small businesses. These are the people upon whom so many of our hopes for initiative, greater enterprise and national prosperity must depend.

"It is universally recognised that the present top rate of 83 per cent on earned income is an absurdity. The rate of 98 per cent on investment income is even worse. Such rates bring in very little revenue.

"But they kill incentive and are patently unjust. Some members of the previous Government recognised this. But they did nothing about it. I now propose an overdue measure of reform.

"The top rate on earned income will be cut from the present 83 per cent to 60 per cent. This new top rate will apply to taxable income over £25,000.

"At the other end of the higher rate scale, the present threshold of £8,000 is too low. I propose raising it to £10,000. Even at this figure the starting point for taxation at higher rates will be no higher in real terms than it was in 1973. Between £10,000 and £25,000 I propose a new scale of rates less steeply progressive than the old scale.

"The top rate of 60 per cent on earned income I now propose fulfils our commitment to reduce the top rate to the European average. For example, the top rate in France is 60 per cent. In Germany, it is 56 per cent. In the United States, it is only 50 per cent.

"The new top rate will still be reached at an income level which is lower and in some instances significantly lower than is common elsewhere. This is a matter to which we may need to return on a future occasion.

Success is more important

"So, while the reductions I propose are substantial, they are no more than the circumstances require.

"They will still in general leave people in the top income groups more highly taxed than people in corresponding positions in other industrialised countries. We have to compete with such countries, not only in the sale of goods and services, but in attracting and retaining the talent required to run our industry efficiently and profitably and thereby provide employment opportunities that our people so desperately need.

"We have over the years spent too much time and effort trying to "level down." This is no good to anybody. It is much more important to have a successful and prosperous society. And we cannot have a successful and prosperous society without successful and prosperous individuals.

"But it is not only at the top of the income range that the burden of income tax is particularly oppressive. The same is true for those on the lowest taxable incomes, where the tax system can help to ensure that some people are actually better off out of work.

"That is the importance of the tax thresholds, to which I turn next. The increases proposed in the April Finance

> "OUR PRESENT regime is more restrictive than that of any other major industrialised country. There is an overwhelming case . . . for giving both companies and individuals wider freedom of choice.".

Act, which were not of course implemented, were plainly inadequate. I propose to double these increases. This means that the amount a single person can earn tax-free will go up, not by £90, but by £180.

"The married allowance will go up, not by £140, but by £280. A single person's tax-free earnings will thus go up by nearly £3.50 a week. The amount that a married man can earn tax-free will go up by £5.38 a week. And these increases in personal allowances are quite apart from the change that I have in mind for the basic rate of tax.

"I have in fact three other changes to propose before I come to that. First, to help the elderly, the age allowance will be raised by £240 for the single person and £380 for the married person.

"These again are double the figures proposed in the April Finance Act. Last year, the income limit for the full age allowance was £4,000. This year I propose raising it to £5,000, more than twice the increase proposed in the April Finance Act.

"Second, I propose raising the threshold for the investment income surcharge. The justification for retaining the surcharge is itself debatable. Certainly there can be no argument but that it bites at far too low a level of income. Almost half the surcharge is paid by people over 65.

No more than palliatives

"This is moreover a tax which falls with particular severity on those who have had to make provision for their retirement out of their savings and have no occupational pensions to fall back on.

"The undue severity of the tax was recognised by the previous Government. But they introduced no more than palliatives, in the form of a reduced rate applied to the first slice of income liable to the surcharge and a slightly higher threshold for those over 65.

"I propose instead to raise the threshold to £5,000 for everyone: the rate above that level will remain at 15 per cent. This approach combines a considerable simplication of the tax with a measure of justice that is long overdue.

"Third, I propose to implement immediately our election pledge to war widows. Provision will be made in the Finance Bill to exempt their pensions entirely from tax.

"I come finally to the basic rate. For the great majority of taxpayers—some 21m in all—it is the basic rate which determines their tax liability. It is the basic rate (plus, of course, the National Insurance Contributions) which represent the deterrent effect of tax on additional earnings—whether those extra earnings come from overtime, or greater productivity, or reflect greater skill or the rewards of promotion.

"Everywhere one meets complaint and criticism that income tax erodes differentials, reduces the rewards of skilled workers and discourages effort, initiative and responsibility. This year I propose taking a first and significant step to deal with these complaints by reducing the rate from 33 per cent to 30 per cent. Our long-term aim should surely be to reduce the basic rate of income tax to no more than 25 per cent.

"The total cost of these income tax reductions, including the cost of increases in personal allowances proposed in April but not implemented at the time, will be £4.54bn in a full year. The lion's share, no less than £3.46bn or over three-quarters of the total, represents the cost of increasing the personal allowances and reducing the basic rate. The cost this year of all the income tax changes will be £3.5bn.

"As a result of the increase in the tax thresholds 1.3m people who would otherwise have paid tax this year will not be required to do so. The number of people paying tax at the higher rates would have been 1.2m: this will be virtually halved, to 650,000.

Administration simplified

"The number liable to the Investment Income surcharge will be reduced to about a third of what it would would have been—from850,000 to 300,000. All these changes will simplify administration and reduce the work load on the Inland Revenue.

"The changes in allowances will be implemented for most taxpayers on the first pay day after July 12. The reduction in the rates of tax will be given effect as soon as new tax tables are ready in October.

"A full year's income tax reductions will be received even though my Budget is being presented two months or more after the start of the year.

"On this basis the income tax changes mean that for the married couple where the husband earns £100 a week, which is close to average earnings, there will be an increase in take-home pay averaged over the remainder of the financial year of over £4 a week.

"The increases in VAT and petrol duty will increase average family expenditure by about £2.75. So that, taking both the into account, the average family direct and indirect tax changes will be about £1.30 per week better off.

"Similarly, where the husband earns £60 per week there will be a real gain of over 75p a week, while the position of the couple on £150 per week will improve by nearly £2 a week.

"These reductions in the burden of income tax, which are as substantial as they are unprecedented, mean that wage and salary earners will have more money in their pockets to buy the goods and services they help to produce.

"True, the prices of a good many of these goods and services will be increased by my tax proposals. But we have done everything we can to ensure that every family in the land will have more money coming in to pay the increased bills. And what is more, the choice of the way they spend their income will rest increasingly with people, and not with Government.

"These changes represent only the first stage in the major reduction in the burden of direct taxation that we are determined to make.

"I emphasise this point particularly for those who will be involved in pay bargaining in the year ahead.

"Take-home pay will be substantially increased by these unprecedented cuts in income tax. This will more than make good the price effects of higher spending taxes.

"Any further attempts to cover those price effects by higher pay claims will be utterly self-defeating. The money will simply not be there to finance higher pay as well as lower income tax.

"Any attempt to have it both ways will simply end up by threatening jobs and putting firms—on whom jobs depend—out of business.

Adventurous Chancellor makes an impact

BY PHILIP RAWSTORNE

"A reckless gamble with our economic future," — that was Mr. James Callaghan's verdict yesterday on the Tory Government's first Budget.

Well, compared with recent performances, it was certainly adventurous.

Sir Geoffrey Howe, who had consistently failed to impress the Labour benches, made an undoubted impact this time.

The Chancellor's assessment of the form of the British economy coincided largely with the dismal views of his predecessors over the past 25 years.

"Our troubles are of our own making," he said — plus, of course, a few more added by the Labour Government and the EEC.

"It is time for a new beginning," Sir Geoffrey declared.

And amid Labour howls, he promptly announced tighter monetary disciplines with a 2 per cent increase in Minimum Lending Rate.

With that sort of start, even some Tories appeared doubtful about staying the course.

Mr. Eric Heffer's patience was quickly pushed to its limit. "You are mad, mad," he protested as Sir Geoffrey, confirming that there would be no immediate economic movement at home, began to dismantle controls on investment overseas.

The Chancellor, however, was merely getting into his stride.

It was the growth of public spending that was holding back the economy, he asserted. And the Tory cheers rose and rose again as he slashed is way through the industry, employment and housing subsidies and gave notice that he was going to clear away substantial public assets.

With some £4bn's worth of economies set aside, Sir Geoffrey paused briefly to announce that even this did not give him enough scope for his "budget of opportunity."

If worthwhile incentives were to be provided for the work forces, then the weight of the tax burden would have to be switched to VAT, he said.

Allowing himself some room for more incentives next year, he raised the tax to 15 per cent.

Red ties shook with rage on the Labour benches.

Sir Geoffrey, unabashed, pointed out that at least he would not have to raise the duty on alcohol and tobacco as well. The increase from VAT would be quite enough.

The price of petrol would have to go up—but not the vehicle excise duty, he added

Taking a sip of his gin and tonic, Sir Geoffrey then plunged, to Tory cheers, into his package of incentives.

Income tax cuts all round. The top rate reduced to 60 per cent and the basic rate to 30 per cent. Enough, as Sir Geoffrey said, to put sufficient extra money into people's pockets to pay the increased Value Added Tax.

The phrase would echo down the pantheons of time, Mr. Callaghan declared. But not much else would be memorable.

Tory newcomers had cheered with noticeably more enthusiasm than the veterans, the Labour leader remarked. They had seen it all before in 1970.

"This is not the Conservative Budget promised to raise production and real prosperity," Mr. Callaghan declared.

"It has nothing to do with that in any way. It is unfair in its distribution of reliefs, unjust in the additional burdens it imposes and inflationary in its effects on costs and prices."

Inflation would reach 16 per cent before the end of the year—and this was bound to have its effect on the next pay round.

Hugh Routledge

Mrs. Margaret Thatcher, the Prime Minister, with Mr. William Whitelaw, Home Secretary (centre) and Lord Carrington, Foreign Secretary, yesterday.

Inflation will eat up tax cuts, Callaghan says

OPPOSITION leader Mr. James Callaghan accused the Tories of producing a repeat 1970 Budget and forecast that the Howe tax cuts would be eaten up by inflation within six months.

"The whole programme today is unfolding as it was unfolding in 1970 . . . all of the things that the Chancellor today has told us were put forward in 1970.

"This is rather like a rerun of an old film and we all know how the old film ended," said Mr. Callaghan, to noisy reaction from MPs.

And he told the Chancellor that he was embarking on a "colossal gamble."

To laughter, Mr. Callaghan described the situation as "a gamble almost equivalent to the man who robs the gas meter in order to put money on a horse he is not sure is going to run and he has seen fail on previous outings."

Mr. Callaghan challenged Sir Geoffrey about the Retail Price Index increase of 16 per cent which he forecast would be higher by the end of the year. He wondered what the Government pay guidelines would be when the new round of pay talks start in a few weeks.

To Sir Geoffrey, he said: "Do you say, and whatever sermons you preach—that trade union conferences and trade union negotiators will be able to go into the next round with no guidance and claim on behalf of their members anything less than the increase in the Retail Price Index?"

The Labour Government had failed, he admitted, on trying to keep the index down to 5 per cent by the end of 1980—but he would sooner fail on that than ing.

Mr. Callaghan said that if the Government was relying on tax cuts to ease wage claims, "then they have learnt nothing from our experience," he declared. "These tax cuts are going to be eaten up by inflation in the next months."

The Chancellor's comment that the Government was putting more money in people's pockets to pay for VAT was an immortal phrase that would ring down the pantheons of time, he told MPs.

Mr. Callaghan said he was astounded that the Chancellor believed that "his litany" preached about the need for increased productivity by British industry would be any more effective than the message preached by all the chancellors who had gone before him.

If the Government believed the lack-lustre performance of British industry could be overcome with a 3p reduction in income tax "then they are living in a world of wonderland."

The Government had not provided the Conservative Budget promised on April 24. Instead, the Budget was unfair in its distribution of tax relief and new tax burdens. It was inflationary and "a reckless gamble" with Britain's economic future.

● MANPOWER

Savings in work schemes

Changes in special employment measures were detailed by the Department of Employment. It recalled that the Chancellor had announced that the Secretary of State for Employment had reviewed the programmes of the Manpower Services Commission and the special employment programme of the Department of Employment and that savings of more than £170m would be made this year on these programmes.

The statement said:

All of the existing special employment measures will continue. Support under some of them will in future be concentrated on the areas where unemployment is highest and the need for special assistance greatest.

The changes to the special employment measures are:

Temporary short time working compensation scheme: Employers whose applications are received between July 1, 1979, and March 31, 1980, will qualify for compensation for a maximum of six months instead of the present maximum of 12 months. The objective of this scheme, introduced on April 1, is to encourage employers to adapt short-time working instead of making people redundant. Employers are then reimbursed 75 per cent of normal wages paid to those staff on short-time working plus the total of National Insurance contributions for the work-less days.

Small Firms Employment Subsidy (SFES): From July 1, 1979, to March 31, 1980, the subsidy will be available only to small manufacturing firms in the Special Development Areas and Development Areas.

The scheme will close on June 30 for applications from small manufacturing firms in other parts of Great Britain and small non-manufacturing firms in Special Development Areas, Development Areas and Inner City Partnership Areas.

Restructuring subsidy: The subsidy proposed by the last Administration will not be introduced

Special Temporary Employment Programme (STEP): This programme for the long-term unemployed will in future be concentrated on Special Development Areas, Development Areas and Inner City Areas. No further applications for projects outside these areas will be approved by the MSC.

Youth Opportunities Programme (YOP): There will be a reduction in expenditure on this programme but the Manpower Services Commission will continue the undertakings to ensure that every unemployed young person who left school in the school year 1978-79 who remains unemployed at Easter, 1980, will have been offered a suitable opportunity in the programme, and by March 31, 1980, to offer a suitable opportunity to all young people who have been unemployed for 12 months or more.

Community industry. There will be a small reduction of expenditure on this programme but this will still allow the programme to expand from the current figure of 5,200 filled places to 6,000 filled places during the year.

There will be no change to the Job Release Scheme, which was expanded on May 1 and now enables men to retire at 62 and disabled men at 60 provided they are replaced by someone on the unemployment register. The impact of this scheme will increase substantially during the year.

The changes to the individual measures have been made in such a way that assistance will be focused on those areas with special employment needs.

The programme of measures for 1979-80 will continue to make an increasing impact on unemployment up to March, 1980. The programme is reviewed annually and later in the year there will be a review of all the measures to determine the programme for 1980-81.

Reductions in spending by the Manpower Services Commission amount to £110m. The Commission explained that services affected are as follows:

SPECIAL PROGRAMMES

Special Temporary Employment Programme (STEP): The programme will be reduced by £42.2m. The original programme was to have between 30,000 and 35,000 filled places by March 31, 1980, over Britain as a whole. The revised programme will aim to maintain a level of 12,000 to 14,000 places, concentrated in the areas of greatest need. The programme will be restricted to Special Development Areas, Development Areas and designate Inner City Areas (including Partnership Authorities, Programme Authorities and Additional Designated Districts). In addition the criteria for entry to schemes will be tightened to ensure that a higher proportion of entrants are drawn from the long-term unemployed. From today no further applications can be approved in non-designated areas even if they have already been submitted to the MSC.

Youth Opportunities Programme (YOP): The programme will be reduced by £25.2m. The original target was to have between 100,000 and 120,000 filled places at the peak of the year enabling between 210,000 and 230,000 young people to enter the programme in the year ending March 31, 1980.

The aim will be to remain within the ranges of the above targets, although there will be a small reduction in the number of young people participating in the programme at its peak. Savings will be made by shifting provision marginally towards less expensive opportunities. There will be also a slight reduction in the length of time for which young people remain in the programme. These changes, coupled with a current level of occupancy which is below that forecast, will enable the required savings to be achieved.

Each area will now carry out a review to ensure that the fullest possible use is made of less expensive forms of provision. Progress will be closely monitored and the position will be reviewed in the autumn.

Two key national objectives will remain. First: to ensure that no young person who leaves school during the current academic year should remain unemployed at Easter, 1980, without the offer of a suitable place in the programme. Second: by March, 1980, to offer a suitable place in the programme to every young person who has become unemployed for over 12 months.

Community industry: A reduction of £1m will still allow the programme to expand from the current figure of 5,200 filled places to nearly 6,000 places in the current year, though this is a reduction of about 1,000 on original proposals.

TRAINING SERVICES

Training Opportunities (TOPS): Planned expenditure on the scheme will be reduced by £22.3m this year. This will affect a wide range of training opportunities during the second part of 1979-80, particularly courses in commercial and clerical subjects. Training for technicians and main computer-related occupations will remain largely unaffected, as will training for the main craft occupations in Skillcentres. There will be no reduction in disabled people's training.

Direct services to industry: Charges for these services, which help firms to train their own employees, are to be extended to include assisted areas, where at present they are provided free. This should save £1m during the remainder of this year.

Industry directorate: A reduction of £9.8m is proposed in funding to Industrial Training Boards and other bodies, spread over running costs and grants expenditure.

EMPLOYMENT SERVICE

ing to £3.6m will be achieved by deferring some planned spending on Jobcentres (equivalent to the loss of about 17 from the current programme) and also deferring expenditure planned during the current year on the extension of the "Capital" computer matching scheme—operating in north east London—to other parts of the GLC area.
the GLC area.

Central government transactions

£ million

	1978-79 Budget forecast	1978-79 Outturn*	1979-80 Forecast Before Budget changes	1979-80 Forecast After Budget changes
Consolidated Fund				
Revenue (Table 9) ...	42,746	43,088	52,168	51,013
Expenditure (Table 10) ...	51,378	51,469	61,096	59,371
Deficit	−8,632	−8,381	−8,928	−8,358
National Loans Fund				
Consolidated Fund deficit (as above)	−8,632	−8,381	−8,928	−8,358
Other transactions:				
Receipts (Table 11)	6,409	6,458	8,150	8,150
Paymts (Table 11	−7,640	−6,674	−10,413	−10,119
Total net borrowing by the Nat. Loans Fund	−9,872	−8,597	−11,191	−10,327
Other funds and accounts (net) (Table 15) ...	+1,935	+554	+289	+763
Central Government Borrowing Requirement	−7,937	−8,043	−10,902	−9,564†

* As a result of Civil Service industrial action, payments and receipts in 1978-79 may each have been reduced by about £150 million, the net effect on the central government borrowing requirement being negligible.

† This figure does not take account of the proceeds from the sales of assets (see Tables 5 and 6).

● DIVIDENDS

Controls will not be renewed

THE GOVERNMENT does not intend to renew dividend controls when the present legislation expires on July 31, said the Chancellor. He announced his intention to provide in the Finance Bill for a reduction in the rate of Advance Corporation Tax (ACT) from 33-67ths to 30-70ths with retrospective effect from April 6. The purpose of this release is to give guidance to companies on how dividend control is affected in the meantime.

● Until July 31, 1979, the controls will be administered as before, and companies may not until that date, without prior consent of the Treasury in writing, declare or pay ordinary dividends more than 10 per cent above the previous year's dividends.

The law permits them to pay the whole of the dividend to which they are entitled under the existing legislation as interim dividend before July 31, 1979, if they are considering a further amount to be paid as final dividend later. Companies are, of course, at liberty to forecast or announce dividends at any level they choose to be declared and paid after the date of expiry of the controls.

● As a result of the ACT change, companies which have declared a final (or second interim) net dividend which exhausted their maximum permissible entitlement under ACT at 33-67ths may now declare a further net dividend bringing that entitlement up to the maximum permissible under ACT at 30-70ths.

If this further dividend is to be declared and paid before July 31, 1979, no Treasury consent is required provided it is clearly expressed as being related to the past complete year.

● CAPITAL TRANSFERS

Transitional relief to be extended

THE PROPOSALS on capital transfer tax and discretionary trusts were:

The Proposals

(i) The transitional relief from Capital Transfer Tax for distributions from discretionary trusts will be extended, at the current percentage of 20 per cent of the full rates, for a further two years, ie to March 31, 1982.

(ii) The starting date for the periodic charge to Capital Transfer Tax will be deferred from April 1, 1980 to April 1, 1983.

Background

The CTT legislation distinguishes between trusts in which a beneficiary has "interest in possession" (eg a life interest) and trusts in which there is no such interest (broadly, discretionary trusts). For discretionary trusts, CTT is charged on capital distributions from the trust (or the creation of an interest in possession), and there is to be a periodic charge (at present due to begin on April 1, 1980) every 10 years at 30 per cent of the full rates on property remaining in the trust.

There is a transitional period, at present ending on March 31, 1980, during which distributions etc., to UK-domiciled individuals out of discretionary trusts set up before the introduction of CTT are taxed at a percentage of the full rates; the percentage has increased annually on a sliding scale and the current percentage for the year ending March 31, 1980 is 20 per cent.

Provision to implement convention with U.S.

THE CHANCELLOR announced yesterday that a provision would be included in the Finance Bill specially to authorise those arrangements in the proposed new convention which withdrew reliefs from UK tax under the existing arrangements to have retrospective effect should the Order in Council giving effect to this convention be made.

The proposed new convention contains provisions which withdrew some reliefs provided in the existing convention which benefit residents of the U.S. as defined under the convention. Article 28 (entry into force) of the new convention provides in general for the new arrangements to take effect for UK tax purposes from April, 1975, with a transitional period to April, 1976, for relief under the existing convention to apply if that is more favourable. The reliefs from UK tax under the existing convention would therefore cease from April 6, 1976, at the latest.

Section 497 of the Taxes Act, 1970, provides the authority for double taxation relief arrangements declared by an Order in Council to have effect for UK tax purposes. However, Section 497 does not unambiguously authorise that withdrawal of reliefs may take effect for periods before the making of the Order. The Finance Bill provision is designed to provide this authority specifically for the arrangements in the convention. The new convention containing the provisions which withdrew existing reliefs was made available publicly from January 6, 1976, following the signing of the convention on December 31, 1975.

● WAR WIDOWS

Exemption for Service and civilian payments

1. THE Chancellor announced in his Budget statement that a provision would be included in the Finance Bill exempting war widows' pensions from income tax with effect from April 6 1979. This will replace the existing provision in Section 31 Finance Act 1976, under which 50 per cent of the pension is exempt.

2. The two main schemes under which war widows' pensions are paid are the Naval, Military and Air Forces etc. (Disablement and Death) Service Pensions Order 1978 and the Personal Injuries (Civilians) Scheme 1976. The exemption will apply to all benefits in respect of death payable under these schemes, and also under certain other smaller schemes, such as those applying to merchant seamen in both World Wars and to members of the Polish Forces under British command in the Second World War. The main benefits in question are the war widow's pension, the war widow's age allowance and the special temporary allowance awarded to widows of the most severely disabled war servicemen; but exemption will also extend to other recipients of death benefits under these schemes. The exemption already provided for allowances paid to war widows in respect of their children by Section 365(3), Income and Corporation Taxes Act 1970, remains in force.

3. The exemption will also apply to pensions or allowances of a comparable nature payable by other countries.

What the changes mean

Single person—income all earned

Income £	Charge for 1978/79: Income tax £	Charge for 1978/79: Percentage of total income taken in tax per cent	Proposed charge for 1979/80: Income tax £	Proposed charge for 1979/80: Reduction in total income taken in tax per cent	Reduction in tax after proposed changes £
1,500	129	8.6	84	5.6	45
2,000	275	13.8	213	10.7	62
2,500	440	17.6	363	14.5	77
3,000	605	20.2	513	17.1	92
3,500	770	22.0	663	18.9	107
4,000	935	23.4	813	20.3	122
4,500	1,100	24.4	963	21.4	137
5,000	1,265	25.3	1,113	22.3	152
6,000	1,595	26.6	1,413	23.6	182
7,000	1,925	27.5	1,713	24.5	212
8,000	2,255	28.2	2,013	25.2	242
9,000	2,586	28.7	2,313	25.7	273
10,000	2,987	29.9	2,613	26.1	374
15,000	5,664	37.8	4,588	30.6	1,076
20,000	9,091	45.5	7,030	35.2	2,061
25,000	12,843	51.4	9,722	38.9	3,121
30,000	16,992	56.6	12,663	42.2	4,329

Married couples—income all earned

Income £	Charge for 1978/79: Income tax £	Charge for 1978/79: Percentage of total income taken in tax per cent	Proposed charge for 1979/80: Income tax £	Proposed charge for 1979/80: Reduction in total income taken in tax per cent	Reduction in tax after proposed changes £
2,000	116	5.8	46	2.3	70
2,500	259	10.3	171	6.9	87
3,000	423	14.1	318	10.6	105
3,500	588	16.8	468	13.4	120
4,000	753	18.8	618	15.5	135
4,500	918	20.4	768	17.1	150
5,000	1,083	21.7	918	18.4	165
6,000	1,413	23.6	1,218	20.3	195
7,000	1,743	24.9	1,518	21.7	225
8,000	2,073	25.9	1,818	22.7	255
9,000	2,403	26.7	2,118	23.5	285
10,000	2,766	27.7	2,418	24.2	348
15,000	5,334	35.6	4,296	28.6	1,038
20,000	8,680	43.4	6,705	33.5	1,975
25,000	12,428	49.7	9,364	37.5	3,064
30,000	16,535	55.1	12,273	40.9	4,262

Married couple with two children not over 11

MARRIED COUPLE WITH 2 CHILDREN NOT OVER 11

Weekly earnings £	Net weekly income in 1978/79 (after November 1978 increase in child benefit) (See Note): Child benefit £	Income tax £	National insurance contributions £	Net income £	Net weekly income in 1979/80 including proposed tax changes: Child benefit £	Income tax £	National insurance contributions £	Net income £	Increase in net income £
35.00	6.00	0.41	2.27	38.32	8.00	0.02	2.27	40.71	2.39
40.00	6.00	1.66	2.60	41.74	8.00	1.27	2.60	44.13	2.39
50.00	6.00	4.33	3.25	48.42	8.00	3.81	3.25	50.94	2.52
60.00	6.00	7.63	3.90	54.47	8.00	6.81	3.90	57.29	2.82
70.00	6.00	10.93	4.55	60.52	8.00	9.81	4.55	63.64	3.12
80.00	6.00	14.23	5.20	66.57	8.00	12.81	5.20	69.99	3.42
90.00	6.00	17.53	5.85	72.62	8.00	15.81	5.85	76.34	3.72
100.00	6.00	20.83	6.50	78.67	8.00	18.81	6.50	82.69	4.02
120.00	6.00	27.43	7.80	90.77	8.00	24.81	7.80	95.39	4.62
150.00	6.00	37.33	7.80	110.87	8.00	33.81	8.77	115.42	4.55
200.00	6.00	54.73	7.80	143.47	8.00	48.81	8.77	150.42	6.95

NOTES

NET INCOME is earnings, less tax and national insurance contributions, plus child benefit. It does not include any means-tested benefit.

NATIONAL INSURANCE CONTRIBUTIONS are for a person not contracted out of the new pension scheme.

CHILD BENEFIT was increased from £2.30 to £3.00 a week for each child in November 1978.

Elderly married couples (either husband or wife aged 65 or over)

Income £	Charge for 1978/79: Income tax £	Charge for 1978/79: Percentage of total income taken in tax per cent	Proposed charge for 1979/80: Income tax £	Proposed charge for 1979/80: Percentage of total income taken in tax per cent	Reduction in tax after proposed changes £
Income all earned					
2,500	106	4.3	11	0.5	95
3,000	245	8.2	136	4.5	109
3,500	410	11.7	276	7.9	134
4,000	575	14.4	426	10.7	149
4,500	850	18.9	576	12.8	274
5,000	1,083	21.7	726	14.5	357
5,500	1,248	22.7	976	17.7	272
6,000	1,413	23.6	1,218	20.3	195
7,000	1,743	24.9	1,518	21.7	225
8,000	2,073	25.9	1,818	22.7	255
9,000	2,403	26.7	2,118	23.5	285
10,000	2,766	27.7	2,418	24.2	348
Income half earned, half from investments Up to £5,000 as above					
5,500	1,273	23.2	976	17.7	297
6,000	1,463	24.4	1,218	20.3	245
7,000	1,868	26.7	1,518	21.7	350
8,000	2,273	28.4	1,818	22.7	455
9,000	2,678	29.8	2,118	23.5	560
10,000	3,116	31.2	2,418	24.2	698

Single persons—income all earned comparison with 1973/74

COMPARISON WITH 1973/74

Income in 1979/80 £	Proposed charge for 1979/80: Income tax £	Proposed charge for 1979/80: Percentage of total income taken in tax (A) per cent	Equivalent gross income in 1973/74 £	Tax charged in 1973/74: Income tax £	Tax charged in 1973/74: Percentage of gross income taken in tax (B) per cent	Change in the percentage of income taken in tax Column A minus column B) per cent
1,500	84	5.6	645	15	2.3	3.3
2,000	213	10.7	860	79	9.2	1.5
2,500	363	14.5	1,075	144	13.4	1.1
3,000	513	17.1	1,290	208	16.2	0.9
3,500	663	18.9	1,505	273	18.1	0.8
4,000	813	20.3	1,720	337	19.6	0.7
4,500	963	21.4	1,935	402	20.8	0.6
5,000	1,113	22.3	2,151	467	21.7	0.6
6,000	1,413	23.6	2,581	596	23.1	0.5
7,000	1,713	24.5	3,011	725	24.1	0.4
8,000	2,013	25.2	3,441	854	24.8	0.4
9,000	2,313	25.7	3,871	983	25.4	0.3
10,000	2,613	26.1	4,301	1,112	25.9	0.2
15,000	4,588	30.6	6,452	1,843	28.6	2.0
20,000	7,030	35.2	8,602	2,854	33.2	2.0
25,000	9,722	38.9	10,753	4,045	37.6	1.3
30,000	12,663	42.2	12,903	5,350	41.5	0.7

The equivalent gross income in 1973/74 is obtained by dividing the 1979/80 income by 2.325, the factor by which prices (measured by the retail prices index) have increased between April 1973 and April 1979.

● REGIONAL GRANTS

Deferment conditions announced

Following the Budget announcement of a four-month deferment in the payment of regional development grants, Sir Keith Joseph, the Secretary of State for Industry, announced that the deferment will apply to all applications made after yesterday. The Department will accept as in time applications posted to the Regional Development Grants Offices yesterday or before.

The applications will be examined in the usual way. When the office is satisfied about the amount of grant payable, the applicant will be notified and told that, provided no material changes occurs in his eligibility for grant, payment will be made in four months' time.

This four-month period will not be used to resolve questions of particular cases will be entertained, as this would operate unfairly against other applicants.

Any inquiries should be made to the Regional Development Grant Offices in Billingham, Bootle, Cardiff or Glasgow.

Details of tax proposals

IE FINANCIAL Statement 's:

LAND REVENUE

:ome Tax

.The Finance Act, 1979, :reased the single person's owance and the maximum 'e's earned income relief from 35 to £1,075 and the married owance from £1,535 to £1,675. is now proposed that these owances be further increased £1,165 and £1,815, respec- ely.

The Finance Act, 1979, reased the additional personal owance from £550 to £600. It now proposed to increases it 'ther to £650.

The Finance Act, 1979, also reased the age allowance for : single person from £1,300 to 420, for the married from 075 to £2,265, and the age owance income limit from 000 to £4,400. It is now pro- sed that these levels be fur- er increased to £1,540, £2,455 d £5,000, respectively.

It is proposed to extend the sic rate band by £2,000 to 250 (reduced, as appropriate, any wife's earnings charged the lower rate), and to reduce basic rate of tax from 33 per nt to 30 per cent.

It is proposed to abolish the gher rates of tax above 60 per nt and to increase the width the remaining higher rate nds. As a consequence of these anges, the structure of per- nal tax rates in operation in 79-80 will be:

Bands of Taxable Income £		Per cent
0- 750	....	25
751-10,000	....	30
,001-12,000	....	40
,001-15,000	....	45
,001-20,000	....	50
001-25,000	....	55
ver 25,000	....	60

It is proposed that the invest- ent income surcharge for 1979- 80 should be charged at the ngle rate of 15 per cent, and at the threshold should be 000 for all taxpayers.

Following the withdrawal of ild tax allowances in the nance Act, 1979, it is proposed re-define the qualifying condi- ns for additional personal owance and to repeal Section Income and Corporation xes Act, 1970 (child-minder ief). It is also proposed that child dependency allowance ceived by widows and certain ner social security bene- iaries should be wholly empt from income tax.

It is proposed that war dows' pensions should be olly exempt from income tax.

It is proposed to reduce the ofit restriction in calculating amount of stock relief from per cent to 10 per cent.

ome tax and corporation tax

It is proposed to write off the lance of stock relief still out- anding for 1973-74 and 1974-75 d to introduce provisions to ite off so much of the relief r each subsequent year as has t been recovered after a riod of six years.

It is proposed to allow busi- esses to claim less than the full nount of stock relief due.

It is proposed to introduce pro- sions under which expenditure curred after June 12, 1979, on rs acquired for long-term asing will generally cease to ualify for the 100 per cent first ear allowance.

orporation tax

It is proposed that advance orporation tax for 1979-80 hould be payable at the rate f three-sevenths of the amount f the distribution.

It is proposed for the finan- cial year 1978 to increase the lower and upper limits for the "small companies" rate of cor- poration tax from £50,000 and £85,000 to £60,000 and £100,000 respectively.

Petroleum revenue tax

It is proposed to increase the rate of petroleum revenue tax (PRT) from 45 per cent to 60 per cent for chargeable periods ending after December 31, 1978. It is also proposed to reduce the uplift in respect of certain qualifying expenditure from 75 per cent to 35 per cent, subject to transitional provisions for expenditure under contracts entered into before January 1, 1979.

It is proposed to reduce the oil allowance for PRT from 1m long tons to 1m metric tonnes a year, and to reduce the cumula- tive limit of 10m tons per field to 5m metric tonnes.

It is proposed to extend relief for expenditure to allow relief for expenditure incurred beyond the point at which oil is first landed in the United Kingdom and up to the point at which oil is valued for the purposes of PRT. It is proposed to remove the British National Oil Corporation's exemption from PRT for chargeable periods ending after 30 June 1979.

Development land tax

It is proposed that develop- ment value realised from the disposal of an interest in land on or after 12 June 1979 should be charged at 60 per cent and that the amount of development value realised in a financial year which is exempt from development land tax should be increased from £10,000 to £50,000 as respects disposals from the same date.

Capital transfer tax

It is proposed to extend for a further two years the period during which transitional relief is available for distributions from discretionary trusts, and to postpone for two years the introduction of the periodic charge on discretionary trusts.

CUSTOMS AND EXCISE

Surcharges and rebates in respect of excise duties

It is proposed to extend for a *further year the existing* powers under Section 1 of the Excise Duties (Surcharges or Rebates) Act 1979 which enable the Treasury by Order to impose a surcharge or allow a rebate in respect of those excise duties to which the Section applies.

Value added tax

It is proposed that from 18 June 1979 the 8 per cent rate of value added tax should be increased to 15 per cent.

It is proposed that from 18 June 1979 the 12½ per cent rate of value added tax should cease *to have effect and that the goods* and services subject to it should be chargeable at the 15 per cent rate.

It is proposed to amend the law so that the 15 per cent rate of value added tax will not apply in respect of charges to telephone subscribers on computer-produced tax invoices which include a rental charge for a rental quarter commenc- ing before 1 November 1979.

It is proposed to amend the law so that goods and services supplied before the date of the increase in the rate of value *added tax will not attract the* increased rate of tax solely because the time of supply for VAT purposes is after the new rate of tax has come into effect.

Hydrocarbon oil duties

It is proposed, from 6 p.m. on 12 June 1979, to increase:

(a) the rate of duty on light hydrocarbon oil, petrol sub- *stitutes and spirits used for* power methylated spirits by 1.5p a litre;

(b) the rate of duty on heavy hydrocarbon oil for use as road fuel by 1.5p a litre;

(c) the effective rate of duty borne by rebatable oils (except kerosene used other than as aviation fuel) by 0.11p a litre;

(d) the rate of duty on gas used as road fuel by 0.75p a litre.

Tobacco

It is proposed as from 13 August 1979 to vary the rates of tobacco products duty on cigarettes as follows:

(a) to increase the specific element in the duty by £2.77 per 1,000 cigarettes, and

(b) to reduce the *ad valorem* element from 30 per cent to 21 per cent of the retail price.

Forecast effects of tax changes

The effects shown are direct effects: i.e. the difference between the yields of pre-Budget and post-Budget tax rates at the same *levels of income and activity. The expenditure tax figures do,* however, allow for the effects of relative price changes on the composition of consumers' expenditure.

	Forecast for 1979-80 £m	Forecast for a full year £m
INLAND REVENUE		
Income tax		
Increase in single allowance by £180 and married allowance by £280	−1,541(a)	−1,845(a)
Increase in additional personal allowance by £100	−11(a)	−13(a)
Increase in age allowance by £240 (single) and £380 (married) and in income limit	−168(a)	−210(a)
Reduction of 3p in basic rate	−1,288	−1,395
Extension of basic rate band by £2,000	−158	−200
Changes in higher rate thresholds and rates	−305	−662
Increase in investment income sur- charge thresholds	−22	−201
Exemption of child dependency allowance	−5	−6
Exemption of war widows' pensions ...	−4	−6
Stock relief: reduction in profit restriction	Nil	−30(b)
Income tax and corporation tax		
Stock relief: write-off	Nil	−25(c)
Stock relief: partial claims	*Nil*	Negligible
Capital allowances: leased cars	Nil	+200(d)
Corporation tax		
Decrease in rate of ACT to 3/7ths of the amount of the dividend	−190	(e)
Increase in limits for small company relief	−6	−11
Petroleum revenue tax		
Increase in rate and reduction of uplift	+110	+130(f)
Reduction of oil allowance	+20	+20(g)
Relief for certain expenditure incurred after the oil is landed	−20	−11(h)
Removal of exemption of British National Oil Corporation	Nil	Nil
Development land tax		
Reduction in rate and increase in exempt amount	−2	−10(i)
Capital transfer tax		
Extension of transitional period for dis- cretionary trusts	Negligible	Nil(j)
TOTAL INLAND REVENUE	−3,590	−4,275
CUSTOMS AND EXCISE		
Value added tax		
Unification of rates at 15 per cent	+2,035(k)	+4,175(k)
Excise duties		
Increase in rate of duty on light oil, etc.	+280(l)	+375(l)
Increase in rate of duty on heavy oil for use in road vehicles	+80	+100
Increase in effective rate of rebatable oil duty	+40	+50
Variations in rates of duty on cigarettes	Negligible	Negligible
TOTAL CUSTOMS AND EXCISE...	+2,435	+4,700
Total Changes in Taxation	−1,155	+425

(a) Costs include the cost of revalorisation of allowances in the Finance Act 1979 (£866m in 1979-80 and £1,042m in a full year).
(b) The cost in 1980-81 will be £10m.
(c) The cost in 1980-81 will be £20m.
(d) The yield in 1980-81 will be £175m.
(e) Increases subsequent liabilities to mainstream corporation tax.
(f) Petroleum revenue tax +£270m; corporation tax −£140m.
(g) Petroleum revenue tax +£40m, corporation tax −£20m.
(h) Petroleum revenue tax −£22m, corporation tax +£11m.
(i) DLT −£13m; capital gains tax and corporation tax +£3m; In addition, there will be a loss of benefit to net of tax bodies amounting to £1m in 1979-80 and £6m in a full year.
(j) The cost in 1980-81 will be £20m.
(k) VAT +£2,135m in 1979-80 and +£4,305m in a full year; excise duties and car tax −£100m in 1979-80 and −£130m in a full year.
(l) Oil duty +£265m in 1979-80 and +£345m in a full year; VAT +£15m in *1979-80 and +£30m in a full year.*

Forecasts of Expenditure, Imports and Gross Domestic Product

£m at 1975 prices, seasonally adjusted

	Consumers' expenditure	General Government expenditure on goods and services: Final consumption	Fixed investment	Total	Other fixed investment	Exports of goods and services	Stock building	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus Statistical Adjustment	Gross product at factor cost†	GDP index 1975 = 100
1977	62,950	23,300	3,850	27,150	16,100	31,500	1,000	138,700	30,350	10,800	100	97,650	105.0
1978	66,400	23,650	3,350	27,000	17,100	32,250	950	143,700	31,750	11,450	0	100,500	108.1
1979	68,350	24,000	3,300	27,300	17,000	32,100	450	145,200	33,100	11,600	350	100,850	108.5
1978 first half	32,800	11,800	1,750	13,550	8,550	15,900	550	71,350	15,800	5,700	0	49,850	107.2
second half ...	33,600	11,850	1,600	13,450	8,550	16,350	400	72,350	15,950	5,750	0	50,650	109.0
1979 first half	34,350	12,000	1,700	13,700	8,500	15,700	250	72,500	16,500	5,800	250	50,150	108.5
second half ...	34,000	12,000	1,600	13,600	8,500	16,400	200	72,700	16,600	5,800	100	50,400	108.5
1980 first half	34,050	11,900	1,500	13,400	8,400	16,800	−150	72,300	16,650	5,800	100	49,950	107.4
Percentage changes													
First half 1978 to first half 1979 ..	4½	2	−2	1½	−1	−1		1½	4½	1			1
Second half 1978 to second half 1979	1	1½	−3	1	−½	½		½	4	1			−½
First half 1979 to first half 1980 ..	−1	−1	−12	−2½	−1½	5½		−½	1	0			−1
Percentage changes at annual rate													
First half 1978 to second half 1979	2½	1	−6	0	0	2		1½	3½	1			1
Second half 1978 to first half 1980 ..	1	½	−6	−½	−1½	1		0	3	½			−1

† All figures in Table 4 are based on "compromise" estimates of gross domestic product. The statistical adjustment reflects the different movement of expenditure and compromise series. Note—Figures in £m are rounded to £50m. Percentage changes are calculated from unrounded levels in £m and then rounded to ½ per cent. The GDP index in the final column is calculated from unrounded numbers.

Economic prospects up to 1980

Introduction and summary

The prospect is for economic activity to decline slightly over the next year or so. Retail price inflation increases during 1979 and falls again during 1980. The current account of the balance of payments is forecast to re- main close to balance. Public sector borrowing, as a percent- age of GDP, is cut sharply from the 1978-79 level.

The tables set out the fore- casts and give some indication of the orders of magnitude of the errors which could be in- volved. These forecasts are used in preparing the projections for the public sector in Parts II and III of this report.

Policy assumptions

3. Monetary and fiscal policy assumptions for 1979-80 are de- termined by the Budget pro- posals. Growth of the money supply is assumed to be in the centre of the target range. In April 1980 all specific duties and income tax allowances and bands are assumed for forecast- ing purposes to be adjusted in line with price increases during 1979. Firm control of the money supply is assumed to continue during 1980-81. The Govern- *ment has not yet reviewed pub-* lic expenditure plans for 1980- 1981 and there is therefore no firm basis for a forecast. For present purposes the level of planned expenditure now de- *cided for 1979-80 is simply* extrapolated into 1980-81. The exchange rate is taken as deter- mined primarily by market forces.

Domestic demand

4. The prospect is for rather little change in real personal disposable incomes over the next year. This reflects the lack of buoyancy in economic activity, and a number of speci- fic factors tending to raise prices. The upward step in prices following the indirect tax changes reduces the real value of existing savings in money- denominated assets; there is evi- dence that this encourages con- sumers to save in order to re- establish the real value of exist- ing savings. For this reason the fall in the personal savings ratio after the Budget is likely to be small and the impact on personal consumption to be cor- respondingly large. The savings ratio is forecast to stay close to the historically high figure of 15 per cent. The ratio of wealth to income will also remain low compared with earlier years. The forecast path of personal consumption is fairly flat over the next year. The variant in Table 3 shows the possible con- sequences of a lower outcome for savings. The savings ratio *is assumed (before allowing* for multiplier effects) to be 2 per cent lower than in the main forecast. This lower ratio would still be very high compared to any year prior to 1974. The variant shows that this development alone could add some 1½ per cent to GDP by the first half of 1980, converting a small fall into a small rise.

5. The forecasts of private in- vestment are largely based on intentions surveys, though it is likely that respondents did not allow for as sharp a check to *activity as is now forecast.* While there is some (highly fallible) econometric evidence about the scale and pace at which investment responds to changes in output it may also *be true that monetary and fiscal* policy will have relatively favourable effects on industry's confidence in the prospect for non-inflationary growth in the longer term. The recent high level of interest rates cannot, however, be favourable to in- vestment. On balance total pri- vate sector investment is forecast to be roughly constant over the period of the forecast.

6. Stockbuilding, however, is forecast to decline and may be- come negative by the first half of 1980 since the starting point is one of high stocks in relation *to output, particularly for manu-* facturing.

7. The forecasts of public ex- penditure provide for a full allocation of the (reduced) con- tingency reserve as well as for a likely level of shortfall. As a result of the cuts in pro- grammes and the squeeze im- posed by the Government's policy on cash limits there may be a small fall in general government expenditure on goods and services (both con- sumption and investment) over the next year.

Output

8. The prospect is for a small fall in the level of total output over the next year although the forecast change is well within the known margin of error. Domestic demand is weak be- cause of the effects of the Bud- get and because private sector investment—both in fixed assets and stocks—is passing a peak. Moreover, export volumes— apart from oil—are held back by poor competitiveness, and the upward trend in the share of demand met by imports may continue. Within a total picture of slightly falling output, North Sea oil production will expand quite rapidly, while manufactur- ing output is likely to be weaker than output in total, reflecting *adverse overseas trade move- ments.*

Inflation

9. The outturn for earnings growth in this pay round, based *on the latest earnings and* settlements figures, looks like being close to the 14 per cent experienced in the previous pay round. The forecast of earnings from this autumn onwards takes *account of the impact of rising* prices, the increases in dispos- able income arising from the Budget reductions in income tax, tight monetary policy and the ability of employers to pay, as well as the commitment to comparability payments in parts of the public sector. Past rela- tionships are not a strong guide in this area and so the forecast is subject to a very wide margin of uncertainty. Subject to this important proviso the forecast shows earnings in the private sector rising at much the same rate as in the last year or two, with rather larger increases in the public services.

10. Even without the Budget the prospect was for some further increase in the rate of inflation this year, partly because of a number of favour- able factors affecting last year: notably roughly stable import prices for food and basic materials, reflecting the strength of sterling and the weakness of commodity prices. This year oil prices are up sharply and there are firmer trends in other commodity prices. Moreover there are some domestic fac- tors (e.g. the National Insur- ance Surcharge, local authority rates) tending to raise prices faster this year; and it is likely that some producers will be keen to improve their margins, *though the scope for this will* be limited by the tightness of monetary and fiscal policies. The Budget itself is estimated to add about 4 per cent to the RPI in the third quarter of this year, leading to a total increase of about 16 per cent. The late date of the Budget means that the impact of indirect tax increases will come entirely in the third quarter of 1979 rather than in the second quarter. Once this effect has taken place retail price inflation in the following year—despite some price effects to the public expenditure measures—is forecast to fall back to around 13½ per cent.

World economic prospects

11. 1978 saw a growth of about 3½ per cent in GNP in the OECD area, with some slow- down in the United States being compensated by faster growth in Canada, Germany, Italy and some smaller countries. A further, more substantial, slow- down in the growth of United States activity seems probable in 1979 and the first half of 1980 and as a result GNP growth in the OECD area may be around 3½ per cent in 1979 falling to below 3 per cent in 1980. But because the United States is contributing less to total growth and some smaller countries, with higher import propensities, may be growing faster the prospects for trade may be rather more favourable than the GNP aggregates sug- gest. Weighted appropriately for United Kingdom exports the volume of trade in manufactures is forecast to recover from a very slow increase of about 3 per cent in 1978 (itself an un- usually low figure in relation to activity) to an annual rate of some 5-6 per cent from now on.

Trade volumes

12. In 1978, United Kingdom exports of manufactures (less erratics) fully matched the estimated increase in world trade in manufactures, despite the past tendency for United Kingdom exports to lose share in world markets. The figures for the first four months of 1979 are very difficult to interpret, owing to distortions resulting from industrial action. But the indications are of a less favour- able performance. The fore- casting judgment is that the trend loss of United Kingdom share is unlikely to have dis- appeared and during *the fore- cast period it is likely to be* reinforced by the growing im- pact of unfavourable competi- tiveness. As a result of a strong exchange rate and substantial pay settlements, United King- dom labour costs rose sharply in the first half of 1979 rela- tive to our main competitors. The implication of the fore- casts for costs and the exchange rate is that competitiveness over the next year remains close to its level in the first half of 1979, having worsened by some 8 per cent compared with 1978 and 13 per cent compared with 1977. The evidence strongly suggests that, particularly on exports, trade volumes are adversely affected with a considerable lag and so the consequences of the recent changes in rela- tive costs continue to affect the economy through and beyond the period of this forecast. Thus despite a slightly better pros- pect for world trade over the next year the prospect is for a fairly flat path of exports of *manufactures at a level well* above the first half of 1979 but a little below the second half of 1978.

13. The volume of imports of manufactures rose by 13½ per cent in 1978, some of the in- crease reflecting the strong rise in United Kingdom demand. Total imports of goods and ser- vices went up 4½ per cent. Over the next year, with domestic demand tending to fall, the rise in imports, particularly of manufactures, should tail off, though the tendency for domes- tic producers to lose share in the domestic *market for manu-* factures seems likely to con- tinue, partly because of the poor level of competitiveness. Imports of goods and services are forecast to rise 1 per cent *over the coming year from the* rather high level in the first half of 1979.

14. Including the effects of increasing oil production the visible balance in volume terms is likely to have deteriorated substantially in the first half of 1979 but is forecast to recover to about its 1978 level by the end of the forecast period.

15. *The United Kingdom cur-* rent account benefited in 1978 from a significant improvement in the terms of trade originat- ing in particular, from weak commodity prices. Although there will probably be some further improvement in the overall terms of trade this year this is more a reflection of changes in relative prices of UK and overseas manufactures. While the increase in oil prices has comparatively little effect on the United Kingdom's terms of trade, world prices of indus- trial materials may at least keep pace with those of manufac- tures.

16. The surplus on invisibles declined in 1978, mainly reflect- ing increasing transfer debits —notably payments to the EEC. Some further decline in the invisible surplus seems likely during the period of the fore- cast. Although the surplus on the services account may begin to rise again transfer debits will continue to increase and the balance on interest, profits and dividends is also likely to worsen, particularly for oil, where North Sea oil profits accruing to foreign-owned com- panies are increasing rapidly.

17. The net effect of these various trends is to suggest a fairly stable picture with the current account remaining in approximate balance.

PSBR

18. Last year saw a PSBR of £9¼ billion (5½ per cent of GDP at market prices), after £5½ billion (4 per cent) in the previous year. The forecast for 1979-80 is £8¼ billion (4½ per cent); this is about £2½ billion less than the figure reached last year. In 1979-80 the effects of the Budget are partly offset by the cost of comparability wage payments in the public sector.

Margins of error

19. The inevitably large mar- gins of error associated with economic forecasts have been regularly emphasised in Gov- ernment publications and esti- mates of average errors in past forecasts have been shown. On this occasion these estimates are presented adjacent to most of the key components of the forecast in Table 3. These estimates are in no sense the maximum errors that are likely to occur. For one thing they are based on the average not *the largest size of errors* re- corded in the past. Secondly, for Part A of the table the errors relate to comparisons of the forecast with a relatively long and firm base; errors re- *lating to changes from a six-* month period which is itself a forecast will tend to be higher, because the initial period as well as the final period of the comparison is subject to sub- *stantial error.* This is particu-

Economic Prospects

	Main forecast	Lower savings variant	Margin of error* (plus or minus)
A. Output and expenditure at constant 1975 prices			
First half 1979 to first half 1980; per cent change:			
Gross domestic product (at factor cost)	−1	+½	2
Consumers' expenditure	−1	+1	2
Gen. Govt. expenditure on goods and services ...	−2½	−2½	2†
Public corporation fixed investment	−4½	−4½	8
Private sector invest. ...	−½	+1	5
Export of goods & svcs.	5½	6½	4
Stockbdg (as % of GDP)			
Imports of goods and services	1	3	3½
Manufacturing prodction	−2½	−½	5
B. Balance of Payments on current account			
£ billion:			
1979 First half ...	−½	−½	..
Second half ...	0	−½	½
1980 First half	0	−½	1½
***C. Public Sector* Borrowing Requirement**			
£ billion; in brackets percentage of GDP at market prices:			
Financial yr 1978-79	9¼ (5½%)	9¼ (5½%)	...
Financial yr 1979-80	8¼ (4½%)	7½ (4%)	2½
D. Retail Price Index			
Per cent change:			
Third quarter 1978 to third quarter 1979	16	16	1
Third quarter 1979 to third quarter 1980	13½	14	3
E. Money Supply (Sterling M3)			
Per cent change:			
Mid-June 1979 to mid-April 1980 (at annual rate)	9	9	...

* The errors relate to average and not maximum errors (on either side of the central figure) experienced in the past. They have been calculated in much the same way (and in many cases are identically the same figures) as those published in the previous Industry Act forecast (*Treasury Economic Progress Report Supplement, November 1978 Table 3*). The figures for the current account and PSBR were standardised as percentages of GDP and the figures quoted in £ billion therefore reflect the general increase in current price magnitudes. In Section A, however, the errors are likely to be under-estimates of the true margin of uncertainty in the forecast changes shown. This is because the errors relate to changes between the relevant forecast period and a "base period" spanning the four quarters prior to the completion of the forecast. Errors in forecast changes over a period starting with a relatively short "base" (in this case the first half of 1979) which is itself highly un- certain are liable to be greater.
The errors in Section A (apart from manufacturing output) are based on fore- casts between June 1965 and November 1976. Sections B and D plus manu- facturing output use forecasts between June 1970 and November 1976. Section C uses PSBR forecasts made at the time of the Budget in the years 1967-76. Apart from manufacturing output the errors have been adjusted for subsequent major changes in fiscal policy.
† Margin applies to General Government Consumption.

STOCK RELIEF

Scheme altered with balance of first two years written off

In his speech the Chancellor announced important changes in the stock relief scheme to be included in this year's Finance Bill. The balance of the first two years' relief (1973-74 and 1974-75) is to be written off: and the outstanding relief for each subsequent year will be written off after six years. The amount of relief will be increased for unincorporated businesses: and all businesses will be given greater flexibility in the amount of relief that they can claim.

Background

1. The Inland Revenue issued a consultative paper last year setting out a number of possible changes to the stock relief scheme, including the write-off of some of the relief for earlier years. The proposed legislation will give effect to the write-off proposals and certain other changes which will be of par- ticular help to small firms.

Details of proposed legislation

2. (a) **Write off relief for 1973-74 and 1974-75**

The relief to be written off is that allowed under Section 18 Finance Act 1975 and Schedule 10 Finance (No. 2) Act 1975 (which includes the transitional relief under Part III of the Finance Act 1976) for, broadly speaking, the two periods of account ending in 1973-74 and 1974-75. The actual amount to be written off will be the amount of unrecovered past relief for those periods calcu- lated immediately after the end of the period of account ending in the year 1978-79 (i.e. the total relief allowed for those periods less amounts recovered subsequently under the claw- back arrangements).

In determining whether any relief for these periods has been recovered the Chancellor has decided that in response to the representations received on the Inland Revenue's Consulta- tive Paper recovery charges should be set against later years' relief before earlier years', i.e. a system of last-in- first-out (LIFO).

The effect of write-off will be that Section 18 and Schedule 10 relief will be excluded from unrecovered past relief and hence will not be included in any recovery charge for a period of account ending in 1979-80 or later. In this way businesses will be able to write off some £5bn of potential tax liabilities. Only a small propor- *tion of this amount was likely* to be paid in any event and hence the cost to the Exchequer is a small fraction of this sum —not more than £25m per annum over the next few years.

An example of the way in which the write-off provisions will work is given in the appendix.

(b) The six year write-off

The legislation will provide that the balance of each sub- sequent year's relief arising under Schedule 5 of Finance Act 1976 will be written off immediately after the sixth anniversary of the end of the period of account for which the relief was claimed. The same general principles will apply as with the write-off of the first two years' relief, including the LIFO principle *for identifying* the actual amount to be written off.

The first relief to be written off under the six year provision will be that arising in periods of account ending in the year 1975-76. Thus, for example, where accounts have been drawn up to December 31, 1975, relief in respect of that period would qualify for write-off on January 1, 1982.

The cost to the Exchequer of the six-year rolling write-off, which will not affect tax receipts until 1983-84, cannot be reliably estimated at this stage, but it is expected that the combined cost of this and the write-off of the first two years' relief is *likely to average about £25m* per annum.

(c) Calculation of the relief

The Chancellor has also decided to increase the amount of stock relief that individuals and partnerships may claim. This will be done by reducing the profits restriction from 15 per cent to 10 per cent for periods of account ending in or after 1979-80. The cost in 1980- *81 will be £10m; in a full year* £30m.

(d) Partial claims

Under the present rules a business must claim all, or none, of the relief to which it is en- titled. The Chancellor proposes to introduce provisions which will enable businesses to claim any part of the relief to which they are entitled. There will be no change in the existing rule that unclaimed relief can- not be carried forward or set against subsequent recovery charges. Again the change will take effect for periods of account ending in or after 1979- 80. The cost will be negligible.

Drivers face double increase

THE Chancellor announced in his Budget speech the follow- ing increases in the rates of duty on hydrocarbon oils used as road fuels:

Light oils (mainly petrol), petrol substitutes and spirits used for power methylated spirits from 30p a gallon to 36.82p a gallon.

Heavy oils used as road fuel (derv) from 35p a gallon to 41.82p a gallon.

In consequence, the rate of duty on gas for use as road fuel will also increase, 15p a gallon to 18.41p a gallon.

These duty changes will apply to the goods concerned which were cleared from refinery or bonded storage from 6 p.m. yesterday. When account is taken of the new 15 per cent rate of VAT (which will apply from Monday June 18) the effect of the Chancellor's pro- posals will be to raise the price of petrol to the private motorist by about 10p a gallon. For business users who are entitled to recover the VAT element in the price of their purchases of road fuel, the effect of the changes will be to raise the cost of petrol and derv by 6.82p a gallon.

Revenue Effect. The revenue yield from these changes in ex- cise duty will be about £475m in a full year and about £360m in 1979-80.

Where the spending cuts will fall

The following list of specific expenditure reductions in 1979-80 was issued by the Treasury after the Chancellor's speech.

Department (and principal public expenditure programmes affected)		Description	£ million (at 1979 survey prices)	
Foreign & Commonwealth Office (Programme 2)		Reduction in overseas aid		50
Department of Industry (Programmes 4 and 5)	(i)	Four month deferment of payment of approved claims for Regional Development Grant	145	
	(ii)	Reduced provision for new commitments by the department and the National Enterprise Board	55	
	(iii)	Miscellaneous savings by:		
		Post Office	5	
		British Aerospace	5	
				210
Department of Energy (Programmes 4 & 5)	(i)	Reduction in the non-nuclear research and development budget	2	
	(ii)	Reduction in the external financing requirement of		
		BNOC	45	
		British Gas	171	
		National Coal Board	23	
		Electricity Supply Industry (England & Wales)	82	
				323
Department of Trade (Programme 4)	(i)	Abolition of Price Commission, savings on local price surveys, the National Film Finance Corporation, export promotion and tourism	5	
	(ii)	The Cooperative Bank agreement to refinance fixed rate export credits currently financed by ECGD	25	
				30
Department of Employment (Programme 4)		Reducing the Manpower Services Commission's programmes and restricting special employment measures		172
Department of Transport (Programmes 5 & 6)	(i)	Reduction in British Rail's external financing requirement	14	
	(ii)	Reduction in grants for rail freight facilities	1	
	(iii)	Roads construction, maintenance, New Towns roads and amenity works	10	
				25
Department of the Environment (Programmes 7, 8 & 14)	(i)	Reduction in public sector housing (England)	300	
	(ii)	Savings on community land expenditure	50	
	(iii)	Reduction in urban programme	7	
	(iv)	Capital expenditure of water industry	55	
	(v)	Property Services Agency		
		—reduced expenditure on major new works and purchases	10	
		—reduction in minor works and purchases of furniture and equipment	10	
		—savings in maintenance and running costs	5	
				437
Department of Education and Science (Programme 10)	(i)	Reduction in science budget	5	
	(ii)	Abandonment of pilot scheme for grants to 16-18 year olds	10	
	(iii)	Increase in overseas students' fees	6	
	(iv)	Reduction in capital spending	14	
	(v)	Reduction in recurrent grant to Universities and Colleges	9	
	(vi)	Miscellaneous savings on education	11½	
				55½
Office of Arts and Libraries (Programme 10)		Miscellaneous savings		3
HM Treasury (Programme 13)		Reduced provision for expenditure from the National Land Fund		1½
Department of Health & Social Security (Programme 11)		Increase in prescription charges to 45p and certain increased dental charges (Great Britain)		34
Scottish Office (Various Programmes)		Where the Secretary of State has separate responsibilities within his own area for some of the above programmes comparable reductions to be made		78
Welsh Office (Various Programmes)		Where the Secretary of State has separate responsibilities within his own area for some of the above programmes comparable reductions to be made		16
Northern Ireland Office and Department (Programme 15)		Where the Secretary of State has separate responsibilities within his own area for some of the above programmes comparable reductions to be made		35
		Total reduction in programmes		1468

In addition, the contingency reserve is to be cut by £250m.

● VALUE-ADDED TAX

Modified rule for rates alteration

EXPLAINING the modification of change of rate rules arising from the 15 per cent new unified rate of value-added tax, the Department of Customs and Excise stated:

The normal rule when a rate of VAT is changed is that the rate of tax to be charged is that in force at the tax point—frequently the date of invoice as opposed to the date of supply.

However, this rule is modified on this occasion to enable traders registered for VAT to account for tax at the old 8 per cent or 12½ per cent rates, as appropriate, on supplies made before June 18, 1979, even where the tax point would normally occur after that date.

Guidance on the effect and application of this modification is given in Customs and Excise leaflet 716/1/79, which will be available at local VAT offices.

To ensure that no charges on telephone bills for calls made before June 18, 1979, carry the increased rate of VAT, the new 15 per cent rate of VAT will not be applied to telephone bills issued by the Post Office and the independent Hull telephone service before next November.

From June 18, traders registered for VAT should account for tax at the new rate of 15 per cent on all supplies of goods and services which have previously been chargeable at 8 per cent or 12 per cent. However, the rules to be followed on a change of rate have been modified, for this occasion only, as explained above.

The increase in VAT will apply to existing stocks held by registered traders who, unless a contract provides otherwise, will be entitled to pass it on to their customers.

VAT retail schemes: The VAT fraction to be used in calculating VAT at 15 per cent from tax-inclusive prices is 3/23rds. Retailers using any of the special retail schemes must follow the rules set out in the existing supplement to Notice No. 727 for the scheme which they are using. Customs and Excise Notice No. 735, which will be available at local VAT offices, incorporates a ready reckoner for calculating VAT at 3/23rds. All the present retail schemes will remain available though some traders will be able to switch to simpler schemes.

Revenue effect: It is estimated that these changes will result in an increase in revenue of about £4,175m in a full year and about £2,035m in 1979-80.

● INTEREST

Transitional relief period extended

AFTER THE Chancellor's speed the Treasury announced that it intends to extend the period of transitional relief for interest on pre-March 27, 1974, loans until April 5, 1982. No increase is proposed for 1979/80 in the ceiling of £25,000 on housing loans ranking for relief.

Transitional Relief

1. When tax relief for interest payments was generally restricted in the Finance Act 1974, it was provided that, where debts had been incurred on or before March 26, 1974, transitional relief would continue for interest payable before April 6, 1980 (Section 19, Finance Act 1974). It is now proposed to extend this relief to interest payable before April 6, 1982.

2. A similar extension will apply to the relief for interest payable to a non-resident out of foreign investment income (Section 122 and paragraph 2, Part III, Schedule 12, Income and Corporation Taxes Act 1970).

Mortgage Interest Ceiling

3. Section 1(5), Finance Act 1979, maintained for 1979/80 the £25,000 ceiling on house purchase and improvements loans ranking for tax relief. It is not proposed in the coming Bill to increase that ceiling.

Cuts to hit British Library

THE CHANCELLOR of the Exchequer in his Budget speech announced savings of just under £5m in expenditure on the arts in the present financial year.

Some £3m of the savigs will come from reductions in the recurrent expenditure on the arts, the British Library, national museums in England, and other arts and museum purposes. The remainder will come from provision for payments out of the National Land Fund.

This reduction of £3m in the grants which the grant-aided bodies would otherwise have received will amount to approximately 2 per cent of the estimates of each of the bodies concerned for the current year.

● LEASING

Reducing allowance basis for cost of cars

AFTER THE Chancellor had completed his speech, the Treasury issued the following statement on leasing:

"The Government proposes that capital ependiture on cars leased on a long-term basis should generally cease to qualify for 100 per cent first year allowance, and should instead qualify (like capital expenditure on business cars bought by their users) for allowances at 25 per cent on the reducing balance basis; and that the special rules applying to cars costing more than £5,000 should apply in future only to cars costing more than £8,000.

"In his Budget statement this afternoon, the Chancellor announced that legislation would be introduced in the Finance Bill restricting the capital allowances at present available for expenditure incurred on cars to be used for long-term leasing. This notice explains the proposals in more detail.

"Capital expenditure on cars used for business purposes generally qualifies for capital allowances at 25 per cent on the reducing balance basis i.e., on the balance of expenditure remaining after any capital allowances previously given have been deducted.

"Certain cars, however, in particular tais, private hire cars, and cars let on daily or short term hire, qualify for 100 per cent first year allowances under the provisions of Section 43 (c) Finance Act, 1971, so that the full cost of expenditure on such vehicles can be written off for tax purposes in the year in which it is incurred. It was not originally envisaged that this provision would apply to cars leased on a long-term basis (e.g for periods of two or three years), but following a decision by the Special Commissioners (an independent appeal tribunal) in 1975, capital expenditure on such vehicles has also qualified for 100 per cent first year allowance.

"Car leasing has expanded rapidly in the last two years. The Chancellor said in his Budget statement that the loss of tax is currently running at some £175m a year. In the absence of new legislation, it could well continue to increase. The Government are therefore proposing that cars used for long-term leasing should cease to qualify for 100 per cent first year allowance, ie to restore the original intention of the 1971 provisions. Expenditure in such cars would then qualify, like expenditure on business cars bought by their users, for allowances at 25 per cent on the reducing balance basis.

"As the following example shows, the total net allowances given are the same on either basis, but are due sooner with 100 per cent first year allowance.

"For example: A car is bought by a leasing company during year 1 for £4,000, and immediately leased to a business user for three years. At the end of the three year period, during year four the car is returned to the lessee and sold by the lessor for £2,000. The table shows the lessor's capital allowances position for each year, allowances being marked (+) and balancing charges (−).

"Taxis, private hire cars and cars which are hired on a daily or short-term basis will continue to qualify for 100 per cent first year allowances. The proposed legislation will introduce new conditions for these allowances, however, to exclude cars on long-term lease. To qualify, a car must normally be on hire to the same person for less than 30 consecutive days, and less than 90 days in the aggregate in any period of 12 months. Cars leased wholly or mainly for use by a disabled person receiving mobility allowance will also continue to qualify for 100 per cent first year allowance irrespective of the length of the lease.

"The proposed new rules will generally apply to capital expenditure on cars which is incurred (ie is payable) after Budget day. Where, however, expenditure is incurred after Budget day under a contract entered into on or before Budget day, the new rules will not apply provided the car is used by the lessor in his trade not later than June 12, 1980.

CARS COSTING £5,000

"The capital allowances due on a car which costs more than £5,000, and which does not qualify for 100 per cent first-year allowances as a taxi or private hire car, etc., are restricted to a maximum of £1,250 in any year. It it proposed to increase these limits to £8,000 and £2,000 respectively for capital expenditure incurred after Budget day.

"There is also a restriction on the relief given for hiring charges paid in respect of any cars costing over £5,000 which do not qualify for 100 per cent first-year allowance. It is proposed that the level at which this restriction applies should similarly be increased from £5,000 to £8,000 in respect of hire charges payable after Budget day.

"As cars leased on a long-term basis will normally cease to qualify for 100 per cent first-year allowances under the proposed new rules described in paragraphs four to seven above, the rental restriction will apply more widely in future than it does at present. There will, however, continue to be no restriction of relief for future rental payments in respect of a car which has qualified for 100 per cent first-year allowance under the present rules (even if it would not have qualified if the proposed new rules for leased cars had applied to it).

"The special rules applying to cars costing over £5,000 are in the Finance Act 1971, Schedule 8, paragraphs nine to 12.

DRAFT LEGISLATION

"In addition to dealing with the changes described above, it also includes a provision enabling the monetary limits in paragraphs 10 to 12 of Schedule 8 Finance Act 1971 to be increased in future by Treasury Order.

LEASED CARS AND CARS COSTING MORE THAN £5,000: DRAFT FINANCE BILL CLAUSE

"(1) Section 43 of the Finance Act 1971 (which excludes from first-year allowances road vehicles not falling within paragraph (a), (b) or (c) of that section) shall be amended in accordance with subsections (2) and (3) below.

"(2) The existing provisions of that section shall become subsection (1) and in paragraph (c) (vehicles provided for hire to, or the carriage of, members of the public in the ordinary course ofa trade) after '(c)' there shall be inserted the words 'subject to subsection (2) below'.

"(3) After the said paragraph (c) there shall be inserted: (2) Subsection (1) (c) above applies to a vehicle only if (a) the number of consecutive days for which it is on hire to, or used for the carriage of, the same person will normally be less than 30; and (b) the total number of days for which it is on hire to, or used for the carriage of, the same person in any period of 12 months will normally be less than 90. (3) For the purposes of subsection (2) above persons who are connected with each other within the meaning of section 533 of the Taxes Act shall be treated as the same person; and that subsection does not affect vehicles provided wholly or mainly for the use of persons in receipt of a mobility allowance under the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975.

"(4) In paragraph nine of Schedule 8 to the said Act of 1971 (which defines the vehicles to which the special rules in paragraphs 10 to 12 apply as those not falling within paragraph (a), (b) or (c) of section 43) for the words 'section 43 of this Act' there shall be substituted the words 'section 43(1) of this Act'.

"(5) In paragraphs 10 to 12 of that Schedule (special capital allowance rules for motor vehicles) for '£5,000' and '£1,250' wherever they occur there shall be substituted respectively '£8,000' and '£2,000' and after paragraph 12 there shall be inserted: '12A. The Treasury may by order increase or further increase the sums of money specified in paragraphs 10, 11 and 12 above: and any such order shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons'.

"(6) Subject to subsection (7) below, this section applies in relation to expenditure incurred after June 12, 1979, and for the purposes of this subsection expenditure is incurred on the date when the sums in question become payable.

"(7) This section does not affect the operation of the said section 43 in relation to any expenditure on the provision of a vehicle if the expenditure consists of the payment of sums payable under a contract entered into on or before the said June 12 and the vehicle is brought into use not later than June 12, 1980.

	Year 1	Year 2	Year 3	Year 4	Total net allowances given
100% first year allowances	+4,000	NIL	NIL	−2,000*	+2,000
25% reducing balance basis	+1,000	+750	+563	−313*	+2,000

* These balancing adjustments will be spread over future years if there is a pool of unallowed capital expenditure brought forward to Year 4 against which the sale proceeds can be credited.

● PETROLEUM REVENUE TAX

Changes remove BNOC exemption

THE Chancellor announced in his Budget Speech that the Finance (No. 2) Bill 1979 will contain a number of provisions relating to Petroleum Revenue Tax.

The changes will increase the rate of PRT from 45 per cent to 60 per cent; reduce the "uplift" for certain qualifying expenditure from 75 per cent to 35 per cent; halve the oil allowance; and remove BNOC's exemption from PRT: make two relaxations in the rules for expenditure relief. It is also proposed to metricate amounts in the Oil Taxation Act 1975.

Rate of PRT

1—It is proposed to increase the rate of PRT from 45 per cent to 60 per cent for chargeable periods ending after December 31, 1978.

Uplift

2—Expenditure undertaken to bring about the commencement of production or a substantial increase in the rate of production (or to prevent a substantial decline) and for certain other purposes not only ranks for immediate write-off in full as an expense but is also eligible for an "uplift" against PRT. It is proposed to reduce the rate of uplift from 75 per cent to 35 per cent for expenditure incurred under contracts entered into on or after January 1, 1979.

3—Specific sums committed for specific works under contracts entered into before January 1, 1979 would still attract the 75 per cent uplift. Other qualifying expenditure made under such contracts would attract uplift at 66⅔ per cent. (The 66⅔ per cent rate would ensure that the total value of the tax reliefs available for the expenditure would not exceed the amount of the expenditure).

Oil allowance

4—For each field there is an "oil allowance" which is free of PRT. Under the Government's proposals this allowance will be reduced from 1m long tons (subject to a cumulative limit of 10m tons per field) to ½m metric tonnes a year, subject to a limit of 5m metric tonnes.

BNOC's exemption from PRT

5—Under the Petroleum and Submarine Pipelines Act 1975, PRT is not payable by the British National Oil Corporation (BNOC). It is proposed to remove BNOC's exemption from PRT for chargeable periods ending after 30 June 1979. There will be provisions to ensure that BNOC is given the same entitlement to PRT reliefs and allowances as other oil companies.

"Coincidence"

6. The point at which oil is sold or valued for PRT purposes does not under current rules, always coincide with the cut-off point for for PRT relief expenditure: thus producers do not always get PRT relief for all the costs of transporting oil as far as the valuation point. It is proposed to remove this anomaly by changing the expenditure rules.

Payments between Fellow Licensees

7—If an asset or service is supplied by a fellow licensee in a field the expenditure allowable for PRT, under current rules, is restricted to the supplier's cost. It is proposed to remove this restriction.

Metrication

8—It is proposed to convert references in the Oil Taxation Act to "long tons" and "cubic feet" to their metric equivalents.

Safeguard

9—The Government does not propose to alter the safeguard charge is cancelled to the extent provision under which the PRT that in any calendar year it reduces the return on a field before Corporation Tax to less than 30 per cent—broadly equivalent to just under 15 per cent after Corporation Tax at 52 per cent—of the capital expenditure (measured on the basis of historic cost). The "tapering" provision will continue to apply to ensure that the PRT charge is not more than 80 per cent of the amount (if any) by which the return exceeds 30 per cent of the capital expenditure to date.

Effects of Proposals on Government Revenues

10. The effect of the proposals on Government revenues, particularly in years ahead, is difficult to forecast as it depends on such uncertain factors as oil prices, exchange rates, costs and the level of production. For 1979/80, the increase in revenue is estimated as £130m (less £20m attributable to the relaxations in the PRT expenditure rules). The increase in total revenue to the end of 1985 is estimated to be of the order of £1.8bn (1978 prices).

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THE BUDGET

City reserves judgment until contents digested

Y CHRISTINE MOIR

: CITY refused to pass int judgment on the Budget night although the general ensus was that it would have iarp short-term depressant 't on Gilts which might in draw equities down in low-my-leader" fashion.

ι 3 pm the FT 30-Share 'x was virtually unmoved at :. At the close it had drifted down to 501.4, off 2.5 points on the day.

Traditionally, Government stocks are not traded after 3.30 pm but telephone lines were busy with dealers getting the *feel of the market for this* morning's opening. Any significant Gilt falls were expected to attract significant overseas buying orders.

The big UK investing institutions largely held their fire, waiting to digest not only the contents of the Budget but its economic background. "There isn't really any action one can *take on Budget Day," one invest*ment manager said, "there has to be further assessment."

There was surprise at the Chancellor's announcement that it was proposed to sell off only about £1bn in State assets. The feeling was that any upward trend in the market will now not be impeded by institutions which have been keeping up liquidity in preparation for much bigger sales. BP shares detail over the Government's sell-off.

Otherwise, as a fund manager said, "It is important not to take one's eyes off the fundamentals for the next six months, and they have not changed."

Certain aspects of the Budget did meet with cheers. Mr. Nicholas Goodison, chairman of the Stock Exchange, was pleased to see firm control of the Public Sector Borrowing Requirement because it should permit more savings to be channelled into industry. He was also delighted with the income and investment surcharge cuts and pleased to see "reality" returned in the property sector with the cut in Development Land Tax.

The abolition of dividend control, although widely expected and generally discounted in individual share prices, was greeted with relief.

Other sectors also were *mixed but stores suffered fairly* generally from the dual blow of VAT and increased fuel prices. Beers, spirits and tobaccos performed best and came alight early with the *reaction to unchanged excise* duty.

The rise in bank base rates was greeted with marked improvement among clearers. Overall, as Mr. John Robertson, *deputy chairman of the Stock* Exchange said: "The Budget had few surprises. Sir Geoffrey carried out his manifesto promises. Now we await the union reaction."

ᵓound rises to highest evel since 1976

ЗY COLIN MILLHAM

: BUDGET was very well ived by the foreign iange market, with sterling ıg to its best level for over e years against major curies in general.

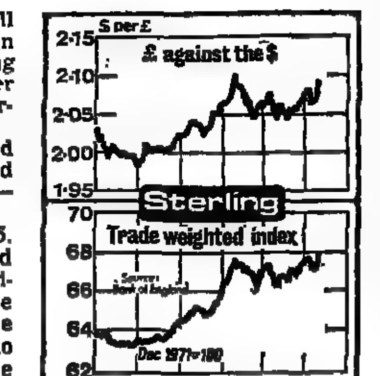
ıe pound's trade-weighted x, on Bank of England 'es, rose to 68 from 67.4—ıghest since March 1976.

erling opened at $2.0675, lowest level of the day, and already climbing in anticion of the Budget before the ıcellor began to speak. The p rise in MLR seemed to ;er heavy demand, and the ıd rose to $2.0975 in very le trading.

; it became clear that the get was even more stringent : expected, the authorities have stepped in to control rise, and sterling closed at 915, a rise of 2.27 cents on day.

ıis was the pound's highest ıg level against the dollar : April 10, as the excepıl demand for sterling ıed the U.S. currency down ate trading.

ırlier in the day, the dollar been firm on news of the ın Morgan Guaranty's prime ing rate to 11½ per cent from 11¾ per cent, but it lost ground sharply towards the close, finishing at the lowest level of the day against the German Deutsche-Mark and the Swiss franc.



Gold was depressed, falling *$3¼ to $278¼*, but the major news of interest to the bullion market was the abolition of UK controls krugerrand fell to $290¾ (£139) from $300¼ (£145¼) in the domestic market, and the coin's *premium over its gold content* declined to 4.45 per cent from 6.50 per cent.

Rate support limit :ut by £300m

: CHANCELLOR explained need to achieve substantial ction in public expenditure rder to redress the balance 'een the public and private ırs and to revive the ınal economy. This of course es to the expenditure of authorities and water orities as well as to central ɜrnment, and the Secretary itate for the Environment be asking those bodies for r co-operation in achieving necessary economies.

ıe Environment Secretary *already asked local authori-* to follow the example of ral Government by imposing reeze on recruitment and ently reappraising their maner requirements. He is also ng them to reduce the ıme of current expenditure he current year of the order } per cent in line with the uctions which central Government is imposing on its own ninistration.

'he Chancellor announced an oss-the-board reduction in Rate Support Grant cash ıt of £300m. The full cost of the pay increases this year still unknown, however, and ·ɜn further settlements come ıugh the Government will consider whether or not a ater reduction is needed. ıt will be *made clear in* ɜember before the Increase ler is made.

'he Environment Secretary also asked the English water horities and other public dies in this field to impose a ıporary freeze on recruitment l in review their manpower uirements.

partment of the Environment ıgrammes 1979-80.

Je announced reductions in · overall public expenditure ıvision of the Department of Environment amounting to '0m

using — For housing, the ɜrnment is safeguarding ısing priorities and needs and doing so has had regard to 'rent performance by local :horities.

ᵓrovision is being made for an rease in expenditure on provement of local authority ellings.

The present level of local ıhority new house building is .ng maintained.

There will be no cut in the blic expenditure allocations · private sector improvement grants, for mortgage lending by local authorities and for housing association activities. Local authorities' ability to lend to council tenants who want to buy their homes is to continue unaltered. No change is being made in housing subsidy arrangements.

However, the Government does expect some cutback in two categories of expenditure. The first is on land acquisition. The second category is municipalisation; here the provision has been considerably reduced.

The Government has framed its cutbacks on housing expenditure in such a way as to have a minimal impact on the workload of the construction industry.

Revised housing capital alloca*tions will be issued within about* three weeks following discussion with the local authority associations and individual authorities. Authorities are being advised that in the meantime they should not make any fresh purchases of land or for municipalisation.

Community Land — As already announced the Community Land Act will be repealed, which will give substantial savings

Urban Programme. A small reduction will be made in the urban programme for the current year. The implications will be discussed with the *local authorities* concerned.

Water Authorities. Water authorities' capital expenditure is to be reduced in the current year. New allocations to individual authorities will be made as soon as possible after further consultations taking into consideration individual circumstances.

Other DOE Programmes: No reductions are being made in other DOE programmes, including historic buildings, parks, ancient monuments; rural industries and sport.

Property Services Agency. Savings will be made in the PSA's expenditure on offices by not proceeding with purchases of buildings and conversion of leaseholds into freeholds and reducing spending on other new construction work, furniture, equipment, maintenance and running costs.

Finally, as part of the programme of asset disposal announced by the Chancellor, there will be some disposals of land and other assets by the Property Services Agency, new towns and water authorities.

Special Deposits Scheme to continue

'TER the Chancellor's speech, : Bank of England announced ıt, with the approval of the ıancellor of the Exchequer, ɜy had decided to continue the eration of the Supplementary ecial Deposits Scheme for a rther period of three months.

The base on which the operaın *of the scheme* rests will ntinue to be the average of ch institution's interest-bear: eligible liabilities outstand: on the make-up days for the : months November 1977-*oril 1978*

The application of the extenɔn of the scheme will start ɔm the average of each instition's interest-bearing eligible ıbilities on the make-up days r August, *September* and :tober 1979 and end with the ·erage of the make-up days for October, November and December 1979.

The specified penalty-free rate of growth for each institution will continue to be 1 per cent per month of the base average. An institution will be liable to lodge with the Bank non-interest-bearing Special Deposits on the scale specified in the Bank's Notice of June 8, 1978, in the month after the period in which the average of its interest-bearing resources exceeds the penalty-free rate of growth.

The terms of the operation of the scheme otherwise remain as set out in the Bank's Notice of June 8, 1978. The Bank's guidance (set out in the Notice of April 11, 1978) to banks and finance houses on the direction of their lending remains

Industry pleased, but farmers irked

FINANCIAL TIMES REPORTER

AN UNQUALIFIED welcome for the basic principles enshrined in Sir Geoffrey Howe's first Budget was given by the *Confederation* of British Industry last night, but retailers, faced with a 15 per cent rate of VAT, were slightly less enthusiastic.

Sir John Methven, CBI direc*tor-general, said: "The Govern*ment faced a tough job in sorting out Britain's economic problems and they have tackled it with great determination. The new Chancellor has put together a package which will help to get Britain back on its feet again by restoring incentives all the way from the shop floor to the boardroom. He has made it worth while to work harder.

"The move from direct to indirect taxation means that people can keep more of what they earn and can decide for themselves how they wish to spend their money. Management must now take up the challenge in an increasingly tough trading climate."

The Chancellor's reduction in the top rate of income tax from 83 per cent to 60 per cent was exactly in line with the CBI's recommendation.

Sir Ray Pennock, vice-president of the CBI, who was interviewed on television during the Budget speech, expressed some disquiet that the new VAT rate—which was considerably higher than most people had expected—and its effect of putting up the retail price index by 3½ per cent, *might* lead to high wage claims from the trade unions.

"If this proves to be the case, we could have a tough problem facing us next winter," he said.

The challenge to management *implicit in the restoration of* incentives was also taken up by the British Institute of Management. It said:

"The Budget presents a welcome new approach and a *new challenge to managers.* We are glad to see that the Chancellor has been bold enough to make a significant switch towards an incentive economy. Managers will benefit *from the 3 per cent cut* in the basic rate of income tax and we hope they will now give an appropriate response to the challenge before them . . .

"We have been asking for a change in the environment and the Government has taken a major step in this direction. What is now required is a bold attitude *throughout* industry to match the boldness shown by the Chancellor."

Associations representing small businessmen, who are the key to providing new employment opportunities in *the private* sector, generally welcomed the Budget provisions, although there was some disappointment that the Government had not lightened some of the tax burdens which small businessmen find particularly iniquitous.

The Association of Independent Businesses said: "We welcome cuts in personal taxation at both the top and bottom levels, but we would have hoped for more cuts at the bottom level for we are still left with the poverty trap syndrome.

"We had hoped for drastic revisions on capital gains tax, by indexing it, and an overhaul of CTT, but the Chancellor is probably wiser to leave these until a wider investigation has been carried out."

The Union of Independent Companies Economic Committee described the Budget as "courageous and imaginative," adding:

"It is up to all of us to respond to the challenge by producing more and taking greater risks with the promise of even greater incentives."

The Institute of Directors said it was particularly happy that the Government was "attacking our penal tax rates as the only way of increasing national productivity."

It continued: "We are glad to see that the tax reductions mark the start of a tax-cutting programme so that the individual, rather than the State, decides on how the money we earn is spent. We hope to see the top rate of income tax cut further to 50 per cent by the end of this Parliament."

Standardising the VAT rate at one figure would greatly simplify the task of traders who collected the tax on an unpaid basis on behalf of the Government.

Britain's farmers were less pleased by other parts of the Budget. The National Farmers' Union maintained that increased interest rates and higher fuel charges would raise farmers' costs by about £50m a year.

"Coming on top of other cost increases the Budget makes a further devaluation of the 'green pound' imperative if British farm output is not to decline," the union said.

Devaluation of this artificial exchange rate, through which *European Community farm* product prices are translated into sterling, increases the income to farmers from key commodities such as beef, milk products and cereals.

Retailers displayed doubts about whether the increase in disposable income arising from the tax cuts will offset the much higher rate of VAT. The Co-operative Movement, *Britain's biggest retailer, said* that it would face an extra £1m on its production and distribution costs as a result of dearer fuel. But "the real problem will be the inevitable follow-through of higher wage demands—the net result being much higher prices for consumers and a return to the inflation spiral."

The Radio, Electrical and *Television Retailers Association* said it was displeased with the 15 per cent VAT rate, but pointed out that most electrical goods would cost only a few pounds more.

Consumers may find it will be some time before they have to pay the higher VAT rate. Boots the Chemists said yesterday:

"Logistically, we cannot get the VAT increases put through on an inventory range of 50,000 items until July. So, while we shall be paying the VAT increases from Monday next, we shall delay putting the increases through to the customers until July."

As well as higher VAT on cars, the motor industry has to live with the increased duty on petrol. The Motor Agents' *Association said.*

"The 10p extra tax and duty on petrol was highly predictable, since there is a need in the national interest to conserve fuel. But we cannot expect to *be delighted, since VAT is also* going up on cars, as with everything else.

"It is redeemed, however, by the fact that the motor industry has not been singled out for extra tax or duty, as has often been the case in the past. We are also glad that as a result of our representations vehicle excise duty has not gone up."

Expressing disappointment with another cut in road construction and maintenance of £10m, Mr. Stuart Jardine, chairman of the Asphalt and Coated Macadam Association, said:

"It comes as a shock to see a Government which professes to set the nation on a course of recovery dealing yet another blow to the construction industry. This Government's failure to learn the lessons of the recent hard winter as far as our roads are concerned is particularly disappointing."

Past neglect had cost the country well over £1,000m and even the relatively small cut now proposed could severely affect many roads net wigter.

"In a road-based economy such as ours, this must mean losses to industry and commerce and will, of course, involve the taxpayer in far higher remedial expenditure than anything supposedly saved now."

The Food Manufacturers' Federation said: "We oppose the taxing of foods of any kind so we are dismayed that the increase in VAT to 15 per cent applies to foods such as ice cream and snack foods.

"They are eaten particularly by children, old people and the lower-income groups as part of their normal diet. Of all the foods in people's freezers ice *cream is the only one to carry* VAT."

Mr. William Taylor, chairman of the Royal Institution of Chartered Surveyors' Standing committee on taxation, said the reduction in the rae of development land tax to 60 per cent would bring renewed vigour to the development industry.

The new rate was acceptable and was, in fact, at the level the RICS had recommended.

The increase in the annual sum on which no tax was payable would encourage the bringing forward of many smaller *sites on which so much of the* housing programme depended, he said.

The Society of Motor Manufacturers and Traders believes that the higher VAT rate will have only "a marginal effect, if any, on new car sales."

The Automobile Association estimated that dearer petrol would add *£30* to the average motorist's annual expenditure, while "the higher fuel costs incurred by road transport will undoubtedly be passed on to the consumer."

The RAC called the Budget "a bitter pill for the motorist." It added: "Many will regard it as an insult added to injury in view of the already escalating cost of fuel. The average motorist will now spend up to £465 a year on his petrol bill alone."

Concern about the effects on the construction industry was expressed by the National Federation of Building Trade Employers. While welcoming the broad strategy of restoring incentives and reducing taxation, it commented:

"Out of some £1bn public expenditure cuts £440m seems likely to affect the industry in terms of cuts in housing subsidies, deferment of water authority investment and spending on the Community Land Act.

"Once agai nthis seems a disproportionate burden on this industry and it falls on capital expenditure, which is vitally needed, rather than on current expenditure, such as wasteful bureaucracy. Worse still, there seems to be no balancing incentive for private building work to be stepped up to fill the gap.

"All three identifiable growth areas for the industry — repair and maintenance, industrial and commercial building and private house building—seem likely to suffer from the overall effect of the Budget provision."

The federation listed some *advantages for the building in*dustry, however, including reliefs on corporation tax for small firms and stock relief.

"The private house building industry welcomes the cut in the *rate of development land tax* from 66⅔ per cent to 60 per cent—although we would like to have seen a larger reduction—and welcomes the redemption of the Government's pledge to repeal the Community Land Act.

"Both these measures will, in the longer term, help to revive the land market, which has been acting as a major constraint on private housing development."

THE BUDGET

ENERGY RESOURCES

A sharp turn of the screw for all

ALL FUEL prices will rise sharply over the next few months as a result of increases in value added tax and duty and because of the stricter cash limits imposed on the British Gas Corporation, the National Coal Board and the electricity supply industry.

At the same time, the Government has decided to take advantage of higher North Sea oil prices to implement in full the Labour Government's proposed increases in Petroleum Revenue Tax along with reductions in the oil companies' capital expenditure and oil allowances. As another way of increasing Government revenue from the energy sector in the current financial year, the Chancellor is proposing to sell a further part of the State's holding in British Petroleum.

The expected increases in petrol and other oil product prices were put forward by the Chancellor yesterday as part of the Government's overall programme for cutting oil consumption by 5 per cent and for improving energy conservation.

The Government has resisted direct intervention in the form of rationing oil supplies; instead, it is setting great store on rising prices forcing people to use less petrol and other oil products. The result of pushing up VAT on petrol to 15 per cent from the present rate of 12½ per cent, and of increasing petrol duty to 36.82p a gallon from the present rate of 30p a gallon will be to add 10p immediately to a gallon of 4-star petrol.

This is the fifth increase in petrol prices since October, when a gallon of 4-star was still costing around 74p a gallon in most urban areas. The oil companies then removed their temporary subsidies to retailers, which had supported the forecourt price-cutting war for many months, bringing the price of a gallon of 4-star up to about 78p. In the past five months a further three increases have been imposed as a result of rising crude oil costs and moves by both oil companies and retailers to improve their profit margins. With the Budget increase of 10p a gallon, petrol prices will now rise to at least £1.09-£1.10 a gallon. Retailers buying their petrol supplies on the spot market could be charging up to £1.40 a gallon.

Duty raised

The duty on diesel fuel for transport is also being raised by nearly 7p a gallon from 35p to 41.82p a gallon. This increase will hit road haulage companies and along with other recent oil price increases will come through to the consumer as a further increase in freight charges. The Government has passed up the opportunity to change the duty differential between petrol and diesel in order to make diesel cars a more attractive proposition in the UK.

The increases in these forms of duty are calculated to raise an extra £475m in a full year and an extra £360m in 1979-80. They came into effect from 6 p.m. yesterday. The Chancellor is also raising duty on other oils not used for transport, such as gas oil, fuel oil and lubricating oil, by ½p a gallon to 3p a gallon. This will raise £50m in a full year.

Further increases in oil product prices can be expected later this year. The Organisation of Petroleum Exporting Countries, which meets in Geneva on June 26, is certain to agree new rises in the price of crude oil—several member countries have already raised prices by nearly 50 per cent since the end of last year—and these will be reflected very quickly in oil product prices in the UK.

Higher oil prices will also give rise to price increases for other fuel: gas, coal and electricity. The Government has resisted any idea of imposing special taxes to raise the prices of other fuels to a level equivalent to oil prices—such as an energy equalisation tax or a gas tax—but it has effectively raised other fuel prices by imposing stricter cash limits on the nationalised energy corporations.

Sir Geoffrey stated specifically in his Budget address that despite the stricter cash limits, the fuel industries had been asked "to avoid as far as possible increases in fuel charges beyond those required to meet cash limits announced by the previous Government."

Certainly in the case of British Gas, however, the new cash limits will lead directly to higher gas prices for industrial consumers. At current prices the Government is calling for a reduction in external financing of £50m from the British National Oil Corporation, £190m from British Gas, £90m from the electricity industry and £25m from the National Coal Board.

In the case of British Gas, which finances its capital requirements from internal resources with room to spare, the stricter limit in effect means that it must pay the Government a further £190m from its surplus. The Government left it to the Gas Corporation to decide how this money should be raised and British Gas is opting to raise one third of the amount through higher charges for gas used by non-domestic users and two-thirds through cutting internal costs. It is still to decide how these cuts should be implemented. The increase in non-domestic tariffs will be about 20 per cent and will be implemented from September 1.

Gas advantage

The Government specifically asked British Gas to hold down domestic gas prices for the rest of the financial year. They have already risen by 8 per cent from the beginning of June. Non-domestic tariffs rose by 11 per cent from the end of April. British Gas has tried to follow a long-term policy of relating its industrial gas prices to the market price of competitive fuels, in most cases gas oil. The present commodity tariff price is about 19.7p a therm, whereas gas oil prices are currently about 24p a therm under term contracts and nearer 30p a therm at spot prices.

As a result of the Budget changes, domestic gas prices still remain substantially below equivalent prices for electricity or coal and the Government appears determined to leave this disparity unchanged at least until the next financial year.

Higher oil prices mean that coal prices are also likely to rise shortly by 10-12 per cent and electricity prices by about 4 per cent. Both fuels have already risen by about 9 per cent this year, but the cash limits announced yesterday will not have as dramatic an effect on these two industries as on British Gas.

The National Coal Board has seen its cash limit cut from £734m to £709m, confirming the view expressed in past weeks that the Government would not seek major economies in the industry.

More worrying for the industry will be the level of Government grants, set provisionally at £175m for the forthcoming year. While this is £5m higher than last year, it is around £100m short of the level asked for by the Board, and will increase pressure on prices, due to rise shortly for the second time this year.

The pressure will be the greater since the pay deal agreed with the mineworkers earlier this year, at a cost to the board of some £72.5m, was based on the hope that grants would increase this year to around £250m.

The electricity industry in England and Wales has had £90m paired from its cash limits, while in Scotland, the cut is set at £10m.

In England and Wales, the industry has been set the target of repaying to the Treasury the sum of £68m at the end of the year, since its previous limit was only £22m.

As in the case of the coal board, the industry has been asked to achieve savings by internal economies, rather than by automatic price rises.

However, the Central Electricity Generating Board is already under pressure from rising fuel costs—pressure which will be increased when the forthcoming coal price rise works its way through in costs.

Kevin Done
John Lloyd

HOUSING AND CONSTRUCTION

A package of mixed blessings

THE CONSTRUCTION industry has again found itself on the end of public expenditure cuts, though for once a budget has brought with it some potential benefits.

To an industry already down on its knees, further spending reductions will hardly be welcome, though the Department of the Environment's overall budget reduction of £440m has apparently been designed to limit the impact on construction work itself.

The hoped-for cut in Development Land Tax also materialised, raising prospects that the land market will be at least partially revived, now that the Development Land Act is to be repealed.

Announcing details of the cuts, Mr. Heseltine said that he was seeking a reduction in capital expenditure on construction of £250m which, in an industry with a turnover of £15bn (a figure which appears to be the product of a certain amount of Ministerial over-enthusiasm) represents less than a 2 per cent cut in workload.

He emphasised that there would be no cuts in private sector improvement grants, mortgage lending by local authorities, housing association activities or on numerous other Departmental areas, such as historic buildings, parks or sport.

Mr. Heseltine also announced a £100m increase in the allocation for improvement of local authority homes.

The brunt of the cuts is to be borne by local authority new housing work and by water authority budgets. Underspending by councils on new housing, which last year ran as high as £150m and became a matter of growing concern to the Labour Government, has predictably been picked on as an area for future savings. Council approvals, which form a substantial part of this year's expenditure, last year came to only 60,000, well below the original provision made. The financial over-provision has now been eliminated. Revised capital allocations will be issued in about three weeks following discussions with authorities.

The Department's decision to cut back the regional water authorities' £497m budget for the original year by £55m will not be welcomed by the industry, particularly the civil engineering sector, which has consistently impressed upon Ministers the poor state of the nation's water grid and the urgent need for a big programme of modernisation.

Other savings include an £85m reduction in the local authority land acquisition programme and a cut of similar proportions in municipalisation—the purchase of private housing stock by councils for renting out as council houses. Mr. Heseltine said that it was the intention to eventually stop the programme altogether.

There will also be a £50m saving in the current year, according to the Department, as a result of the repeal of the Community Land Act announced recently. A reduction of £7 in the current urban aid programme is also being made while the Property Services Agency budget is being cut back by £25m, affecting its office purchase and new construction work programmes.

On the plus side, the repeal of the CLA and yesterday's announced cut in Development Land Tax should help revive the land market, though opinions on how significant a stimulant the move will be remain divided. The house builders should, however, be more hopeful over land supply, although they will be worried about the potential effects of the big MLR rise on mortgage rates.

The house builders were also disappointed not to see any more direct incentives for house buyers, such as lower stamp duty or higher thresholds for mortgage interest tax relief.

Most of the industry's representative bodies were last night ready to welcome the budget's general strategy of more incentive and fewer controls but less ready to condone the further cuts in their workload which Ministers claim are necessary if their plans are to work. While an industry with many small businesses was pleased to see the wider tax changes—notably concessions on Capital Transfer Tax—they were adamant that the Government still did not appreciate the full part which construction has to play in providing the healthy economic base which Ministers are seeking.

THE IMMEDIATE reduction of Development Land Tax from 80 per cent to 60 per cent forms the sequel to the new Government's decision to scrap the Community Land Act. The tax, which with the Act formed the Labour Government's Community Land Scheme, was introduced in 1976 and imposed a charge on the increase in the value of land arising from the granting of planning permission.

An interim rate of 66⅔ per cent currently applies to the first £150,000 of gains realised in a year. Over the next decade, DLT was due to rise to 100 per cent although the tax was ultimately scheduled to take a minor role once local authorities had an obligation to acquire all development land. The Chancellor also said that the amount of development value raised in a year to be free of tax would rise from £10,000 to £50,000.

The cut in DLT will be generally welcomed by the development industry, with the chance that land owners who have been holding land off the market will now consider selling. The supply of residential land in particular could now improve, helping to reduce one of the biggest obstacles to more houses being built.

The Government has already made a start on dismantling the Land Act by curtailing consents for new spending under the scheme and removing restrictions on local authority land sales. The general consensus is that the legislation, designed to enable the community to control the development of land, was frustrated from its introduction in 1975 because of a lack of money and political opposition among many local authorities.

The end of legislation limiting most local authority leaseholds to 99 years (and the fact that even freeholds may be granted in place of existing leases) could encourage development by stimulating the interest of institutions that have been wary of anything other than long lease propositions.

Though the dismantling of the Community Land Act may remove some of the obstacles confronting the development industry, it will still seek changes in several areas affecting its activity. It will continue with its campaign to have industrial development certificates and office development permits ended and maintain efforts to simplify and speed up the planning system, controls which developers believe are inherently far more obstructive than matters such as Development Land Tax.

Michael Cassell

SOCIAL SERVICES AND PENSIONS

Jam today, but prices pill tomorrow

THE GOVERNMENT is making substantial improvements in basic State pensions at the next uprating due in November. The pension for a single person is increased by £3.80 a week to £23.30 a week and by £6.10 per week to £37.30 per week for a married couple. In each case, these rises represent a 19.5 per cent uplift: costing £1.1bn in the current year and £2.7bn in a full year.

The new rates for other social security benefits, together with the costs, are being announced today. It is not yet known whether improvements in the second tier earnings-related pensions will be announced this time. Under the new State scheme only persons retiring on or after April 6, 1979 became eligible for these pensions, or their company pension equivalent.

This rise in basic state pension is far higher than that indicated in March by the then Prime Minister, Mr. Callaghan. He indicated that pensions would rise by about 12½ per cent, an increase that included the shortfall in the uprating made last November because the rise in earnings had been underestimated.

The Chancellor pointed out that Pensioners would be fully protected against the increase in prices, including the rises that would follow the raising of the VAT rate. Thus the higher rises in pensions would appear to reflect the Government's estimate of the effect of its measures on price rises over the period November 1978 to November 1979—just over 17½ per cent in price rises and just under 2 per cent for the shortfall.

The precise basis of the uprating is likely to be explained today by Mr. Patrick Jenkin, Secretary of State for Social Services.

The Chancellor's announcement that in future the statutory uprating in pensions would be based on price movements only, is putting into legislation warnings that Tory spokesmen have been giving over the past year or so. Under the Social Security Act 1975, pensions are increased on the basis of earnings or prices whichever is the greater. Sir Geoffrey emphasised that this change would be a minimum requirement that would fully protect pensions against price rises. But increases above this limit would depend on the improvement in the economy.

The legislation to implement this change is likely to be bitterly contested, since for the time being it could mean lower pension increases than under the current legislation.

The Government is not putting up the general level of child benefits in November, thereby breaking the tradition of the previous Government. Child benefit payments, which replaced family allowances and child tax relief, have been uprated every six months since being introduced in April, 1977. But the Chancellor has recognised the problems of one-parent families and the special premium on the first child is lifted from £2 per week to £2.50. This means that single parents will get £6.50 per week for the first child, against £4 per week normal child benefit payment.

One big disappointment is that though the Government is honouring its pledge to pay a Christmas bonus this year, it remains at £10—the same amount as was paid in 1972 when it was first introduced by the previous Tory Government. It should be at least £23 to have the same real value.

The proposal to exempt completely war widows' pensions from income tax again fulfills a Tory election promise. At present, only 50 per cent of the pension is exempt tax, a provision introduced in the 1976 Finance Act. This means there are currently 80,000 war widows—more than half over the age of of 70—of whom about 40,000 are paying tax. Under this proposal about 20,000 of these will no longer pay tax, with the remainder stil subject to tax on other income. The present basic weekly pension is £25.30, but the new rate wil be announoed today with the other social security benefits.

Elsewhere, the Government's decision to increase prescription charges from 20p to 45p was not wholly unexpected, but the size of the increase and its timing does perhaps come as a surprise. During the election campaign the Conservatives said that while they had no intention at that stage of increasing charges these could not be ruled out in the longer term.

Clearly having had a preliminary look at National Health Service financing the Government has decided to act immediately.

In announcing increased charges for prescriptions, Sir Geoffrey pointed out that charges have remained the same for the past eight years during which time prices have risen two and a-half times.

Currently about 300m prescriptions are dispensed every year through the National Health Service although about 60 per cent of these are dispensed free to patients. There is to be no change in those exempt from charges.

The cost of prescriptions dispensed tthrough the Health Service in 1977 was over £550m and as such the additional £34m the Chancellor expects to collect through the new prescription and dental charges will make little impact on the overall Health Service finances.

The increased charges brought an immediate attack from Mr. David Sharpe, President of the Pharmaceutical Society. Mr. Sharpe said the "heavy" increase would "raise still further the barrier between patients and treatment."

The pharmaceutical profession has always opposed prescription charges for this reason and the new step, apparently introduced for fiscal reasons, aggravated the problem, he said.

"Quite properly the chronic sick, the aged, children and pregnant women are exempted from these charges," said Mr. Sharpe. "But they represent 60 per cent of patients, which means the remaining 40 per cent has to carry the overall burden."

Eric Short
Paul Taylor

INDUSTRIAL AID

Only the beginning of change

'HE MAIN impact of the udget on Government support or industry will be to delay ne payment of regional development grants and reduce the mount of employment aid available to companies.

Operations of the National Enterprise Board will be little ffected, and there are to be urther talks on how and when ome of the assets of the board nd of other state industries can e sold.

Sir Geoffrey Howe said that ne sales of assets would total ome £1bn in the current financial year and that the biggest ontribution to this would be ne sale of part of the Government's holdings in BP. Other ales are also being considered ncluding part or all of the 'ational Freight Corporation, ritish Airways, British Sugar orporation, and the NEB.

In some cases private equity ill be taken into these organiations. Where this happens, mployees will be offered shares n special terms—an exercise hich Sir Geoffrey referred to s "promoting the widest possible participation by the people in the ownership of British industry."

What the Budget demonstrated is that Sir Keith Joseph, Secretary for Industry, and his colleagues, have yet to make major divisons on the detailed operation of industrial policy. The Budget therefore only contained measures required to raise the funds needed to balance the books.

The major policy decisions on regional and industrial aid are now expected to be made during the next month or so before Parliament's summer recess. But first Sir Keith Joseph is to visit the regions to see industry operating at first hand.

The Budget measures do, however, reflect the direction of the Government's industrial and employment *policies* because they form the first step in the gradual disengagement desired by the Cabinet.

The largest part of the £210m which Sir Geoffrey Howe *announced would be saved on* industrial support this year as part of the general pruning of Government spending will be provided by a delay in the payment of regional development grants. They are available to all projects in assisted areas for plant and machinery costing more than £100 and buildings costing more than £1,000.

These grants currently cost the Government £420m a year *and* are to be cut by £145m. All applications made from this *morning onwards will* be examined in the usual way. If they are approved, payment will be made four months later.

Further regional policy decisions now being considered are likely to be more wide-ranging. They may include raising the £100 and £1,000 thresholds for projects, and reducing the size of assisted areas. Factory building by the state-owned *English* Industrial Estates Corporation may also be trimmed.

A further £55m of the £210m cuts will be split about equally between the Department's own budget and the spending of the *National Enterprise* Board. The £20m to £25m contribution by the Department itself will have little impact on its operations and may be partly funded by some aid payments being delayed as well as by various aid applications being rejected.

The NEB's £20m to £25m contribution is only a tiny slice of its £275m annual budget and is likely to be covered by a general slowing down of acquisitions and new ventures.

Savings of £5m each to be made by *the Post Office and* British Aerospace bring the Industry Department contribution to the Budget to £210m.

The Department of Employment's contribution to the Budget is £172m. About 23 per cent of the projected expenditure of £540m for 1979-80 on special employment measures is to be cut. Another £47m is to be taken from the Manpower Services Commission.

The cuts will not generally affect the areas of high unemployment which Mr. James Prior, Employment Secretary, promised on a recent tour would continue to get *Government* help. The cut to employment aid elsewhere is based on the Government's hope that permanent jobs will be created there as a result of the overall Budget strategy.

None of the schemes is abolished outright. The Youth Opportunities Programme will be reduced but the target of employment or training for all unemployed school - leavers remains.

Applications for temporary *short-time working compensation* will extend to the end of March next year, but the payment period will be cut from 12 to six months. The small firms' employment subsidy will be confined to manufacturing companies in the special development areas and the development areas.

The special temporary employment programme will concentrate on these areas and the inner cities, and *no* further applications from elsewhere will be approved by the MSC.

John Elliott and Christian Tyler

EDUCATION

Room for manoeuvre

PEOPLE WORKING in education are apprehensive of the effect upon education of the Chancellor's proposed cash limit on the rate support grant. He announced an across-the-board reduction in the rate support grant cash limit of £300m.

The RSG is the device through which central government funds about 60 per *cent of expenditure* by local authorities. The total local authority spending, partly financed by RSG, is roughly £13bn, of which about half is accounted for by education.

Pessimistic educators might conclude that their sector will bear about half of the proposed economy or about £150m, probably *at the* cost of teachers' jobs in particular. The pessimistic view could be reinforced *by the fact that the Pay Com*parability Commission is expected to proposed further rises in schoolteachers' salaries—now *effectively averaging* £5,731.50 — at the end of the year.

Optimists, however, were hoping that in deciding the details of the savings, local authorities will generally be gentle with education either by more severely curtailing other services, or by putting up their local rates to produce extra funds for schools and suchlike.

There is no such puzzlement about the cut of about £55m from the roughly £2,000m of educational money directly controlled by *central* gkovernment.

Of this saving, the £6m from a 20 per cent increase in tuition fees for overseas students is likely to create the loudest outcry. But even at the new fee levels—from October, perhaps £924 for a foreign undergraduate and £1,212 for a postgraduate—the overseas students' higher education will still be about 60 per cent subsidised.

The abandoning of two Labour schemes will save a further £11.5m. These are the pilot project of grants to sixth-formers costing £10m, and the setting up of central bodies to supervise *higher education in polytechnics* and colleges at £1.5m.

Another £14m will come from reductions in capital investment across education generally, plus £3m capital savings on medical schools. Research funds will be cut by £5m, although how the burden will be shared between the different sciences and social studies has yet to be finally decided.

The conventional universities will lose £8m of their £714m recurrent grant, the Open *University £0.5m from its* £34.7m, and the voluntary colleges £0.5m froml heir £4.7m. A further saving of £7m is expected because the number of students eligible for grants —predicted at 486,000—is now likely to be only around 473,000.

But the subsidy to school meals, traditionally regarded as sacred by the TUC, is for the most part being allowed to continue. The Chancellor merely confirmed the previously announced rise from 25p to 30p in the price of the meal, still leaving taxpayers' funds to con*tribute about £400m a year, or* about 50 per cent of the cost of the meals service.

Michael Dixon

ENVIRONMENT AND LOCAL GOVERNMENT

Unenviable choice: jobs or rates

OCAL COUNCILS face the leak prospect of either having cut services and axe jobs or ise rates following yesterday's udget measures to reduce ublic spending.

The Chancellor made it plain iat the Government would not ieet its full share of increases local authority wages in the irrent year.

As a first step, £300m will be pped off the Government's ual cash limit figure to meet ie cost of inflation on local ithority spending. The reducon could be even higher epending upon the outcome of iture pay awards to council orkers.

The final cost will not be nown until the local authoris come to discuss the cash mit bill sometime in ovember.

The Association of District uncils said that the move sulted in a 3 per cent reducn in grants from Government id would mean cuts in services is year and higher rates next ar.

The last Government seven months ago set a £519m cash limit on the amount it would be prepared to pay to meet the cost of inflation. This was to come on top of £8.6bn Rate Support Grant due to local authorities for the current year.

However, these figures were based on only a 5 per cent increase in wages and around 8 per cent increase in local authority costs and services.

Since this limit was set the annual inflation rate, based on the Retail Price Index, has risen from 8.1 per cent to 10.2 per cent. More importantly *local authority wages are* expected to rise by at least 12 per cent in the current year.

Settlements to date include local authority manual workers and teachers. Both groups have won basic awards of around 9 per cent but with the promise of further increases later in the year following the results of comparability studies.

But council professional staff have still to settle and the National and Local Government Officers Association are demanding a 15 per cent increase.

While most councils began the financial year with substantial cash balances, most of this has already been earmarked to meet current expenditure needs and is insufficient to cushion local authorities from further increases in pay and inflation.

Clearly, unless the Government meets its share of these increases by raising the cash limits, councils will have to find the balance elsewhere, either from rate increases or cutbacks.

Rates for the current year have already been set with domestic rates rising by an average of 18.5 per cent in England and Wales. This compares with a forecast of single figure increases made by Mr. Peter Shore, the then Environment Secretary, when the cash limit was agreed last November.

Room for further cash raising in the current year would therefore appear to be limited, with local authorities precluded from using borrowed money to pay for current expenditure. But sharp rate increases may be in the pipeline for next year, particularly as the Government appears to be determined to contain public expenditure in this direction.

Some Labour controlled councils have already made it clear that they will raise rates rather than axe jobs in the face of the Government's recent request to freeze recruitment and reappraise manpower requirements.

But some cuts now appear unavoidable with Government determined that local authorities should reduce the volume of current expenditure by 3 per cent in the current year.

Cuts in other areas such as road repair and maintenance and educational books and equipment will in many areas already have been made following the last Government's attempts to control public expenditure which saw the introduction of the cash limit system in 1976.

Local authorities remain the nation's largest employer with the equivalent of around two million full time workers. But further cuts in services could also have an effect on jobs in other areas, notably the construction industry.

Following the squeeze in 1976 the local authorities did succeed in reducing their workforces but in the last year numbers have been creeping up again.

Any cuts could hit hardest at the large Metropolitan Authorities which have to combat all the problems and needs of decaying inner city areas. The 36 members of the Association of Metropolitan Authorities, which includes all the London boroughs, employ around 40 per cent of the 2m local government employees.

The AMA is to meet Mr. Michael Heseltine, the Environment Secretary, today to discuss its reaction to the Budget, which has realised all its worst fears.

Andrew Taylor

OVERSEAS AID

Allocation cut by £50m

THE ALLOCATIONS for the British aid programme for 1979-80 have been reduced by £50m to a net figure of £790m. The last Minister of Overseas Development, Mrs. Judith Hart, had sought to halt the slide in British aid as a percentage of GNP. Last year it was about 0.37 West Germany and the U.S., but well below the 0.7 per cent target which individual developed countries have in principle accepted.

However, despite the cuts, this *fiscal year's aid in real terms* may still be above last year's. This is because Mrs. Hart had ensured that the allocation—which is being cut by 6 per cent —was considerably above that for the previous fiscal year.

In a statement issued yesterday Mr. Neil Marten, Minister of State for Foreign and Commonwealth Affairs and Minister for Overseas Development, said that the new aid programme would be 2 per cent above last year's in real terms.

He was comparing the allocations for this fiscal year with the outturn for the previous one. But officials at the Overseas Development Administration claim that the previous year's allocations were completely used, though this has been questioned by some development economists.

Officials state that the cutback is solely for the year 1979-1980 and warn against interpreting it as part of any intended long-term trend.

Mr. Marten said that this year British contributions to multilateral aid organisations could total some £300m: these organisations include such agencies as the International Development Association of the World Bank, UN agencies and the Development Fund of the European Community.

The emphasis of the cuts is expected to be in bilateral aid. No specific countries have yet been singled out, according to the Overseas Development Administration (as the former Ministry of Overseas Development is now called).

The ODA says that the cuts will be applied fairly generally. In 1978 the largest single recipient was India (£118m), while other countries which received considerable sums included Bangladesh (£43m), Pakistan (£18m), Zambia (£33m) and Kenya (£29m). At the other end of the scale Mozambique received £5m, Vietnam £1m and Angola £87,000.

Last year, about 95 per cent of British bilateral aid was provided as grants. Mr. Marten said yesterday that he would work to ensure that aid goes to the people most in need. This to some extent echoes Labour's calls for aid for the "poorest of the poor," but development economists are expecting some changes of programme emphasis.

David Tonge

SAVINGS AND DIVIDENDS

All-round encouragement to thrift

'O BUDGET since the 1950s as done so much to foster the vings ethic. The big increase the tax burden on pending will in itself in a negave way be a powerful enouragement to thrift. Almost very other measure the Chanellor announced will be boon or savers.

They will benefit from:

- Lower income tax.
- A big increase in the hreshold for investment income urcharge.
- Higher interest rates.
- The scrapping of dividend ontrols after nearly seven ears of restraint.
- The easing of controls on nit trusts and other savings nstitutions investing abroad.
- The scrapping of curbs on ne purchase of sovereigns, rugerrands and other gold oins.

For a saver on a salary of 6,000 a year with £3,000 a year ross investment income, the udget will mean a tax cut of bout £475 if he is only claiming a basic married man's personal allowance. More than half he cut will come from reduced ax on his investment income.

The rise of Minimum Lending tate will mean higher interest ates on bank deposits and local authority loans.

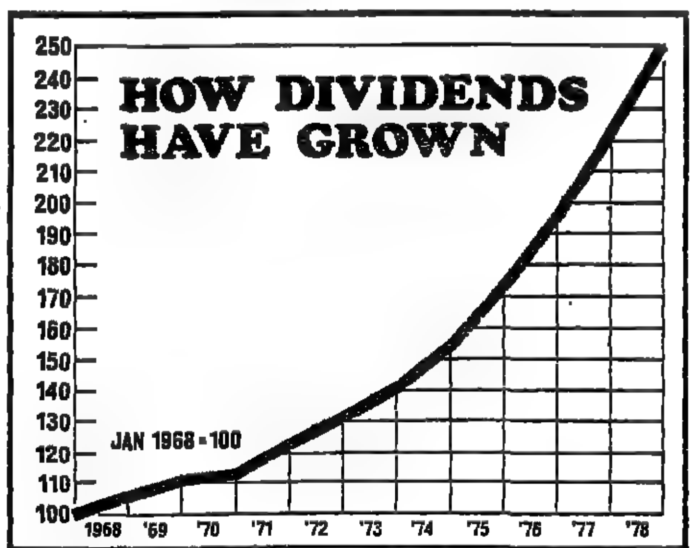
The abandoning of dividend controls at the end of next month brings to an end a system which has been in force since November 1972.

Its original purpose disappeared with the ending of pay policy. In any case the controls were substantially relaxed last August when a new exception was introduced for companies with strong profits growth and high dividend cover. Many companies had been getting round the rules by, for instance, exploiting the exceptional treatment which applied in the case of rights issues.

COMPANIES WHICH HAVE INDICATED THEY WOULD PAY MORE

Company	Possible dividend increase %
BP	+105
Berec	+ 40
BSG Int'l.	+ 20
BTR	+ 20
Diploma	+ 70
Distillers	+ 35
Edbro (Hldgs.)	+ 25
Electrocomponents	+175
GEC	+ 65
Greene King	+ 30
Hanson Trust	+ 25
Ladbroke Group	+ 60
MK Electric	+ 40
S. Pearson	+ 15
Reckitt & Colman	+ 45
Redland	+ 20
Shell	+103
Trafalgar House	+ 50
Unilever	+ 73

Source: Phillips and Drew



Mr. Edgar Palamountain, chairman of the M and G unit trust group, last night welcomed the scrapping of dividend controls. He said: "Companies' shares are valued in terms of the dividends, more than profits. There are many companies whose shares would rise if dividends are increased. "This is welcome news for unit trust investors because they are particularly keen on income. Not every company will raise its dividends but we hope that dividends will rise on average by between 20 and 25 per cent and this increase should go straight through to unit trust investors."

Other projections of dividend growth over the next year range from 10 per cent at De Zoete and Bevan to 20 per cent at Phillips and Drew.

Unit trust investors will benefit from measures which will make it easier and cheaper for financial institutions to bypass the investment currency premium in buying foreign shares. Institutions which use loans raised abroad to buy foreign shares will no longer be hampered by the "115 per cent cover" rule under which for every £100 of loan-financed foreign investment they have had to invest £15 in shares bought through the premium route.

But according to the Henderson unit trust group, the change will have little practical effect because the banks which put up the foreign loans will now insist on cover almost as large.

Eamon Fingleton

DEFENCE

Inflationary safety net

THE ADDITIONAL £100m to be included in the defence equipment programme this year is intended primarily to ensure that existing programmes do *not slip because of inflationary* pressures on their budgets.

It is not expected that any part of the extra money will go on new programmes yet to be started.

The Defence White Paper, issued in February, prior to the election, forecast spending of £8,558m, equivalent to just under 4¾ per cent of the estimated gross domestic product for the year at market prices.

Of this, expenditure on equipment is estimated to account for about 40.8 per cent; or £3,493m, with the biggest single element being "air systems"—*military aircraft and weapons* procurement—at £1,445m.

Subsequently, the Conservative Government made further pay awards to the forces, to bring them up to comparability with civilian life, adding another £111.5m to the overall defence bill for 1979-80.

The only other major defence spending development in recent weeks has been the formal signature of contracts for another 164 Anglo-West German-Italian *Tornado* multi-role combat aircraft, worth about £1.5bn.

But funds for this have already been earmarked in the current and successive defence budgets through the 1980s, and will not therefore increase the overall spending during the current year.

The additional funding now envisaged, is aimed primarily at meeting the rising costs of *existing (undefined)* equipment programmes, which might otherwise fall behind because of inflation upsetting their 1979-80 budgets.

The Defence White Paper indicated that a number of new equipment programmes were being studied, including project definition of a successor to the *Sea King helicopter,* work on new torpedoes and electronic equipment, and new guided weapons such as the P3T anti-ship sea-skimming missile.

Major programmes already under way, on which costs can be expected to rise in the current year, include the two further anti-submarine cruisers, Illustrious and Ark Royal.

Should the Ministry of Defence decide in its studies that new programmes should be initiated, as a result of the current emphasis on improving defence capability, separate funding would be arranged, and *no part of the additional £100m* now envisaged would be likely to be used for that purpose.

Michael Donne

CAR LEASING

End to 100 per cent allowances

'HE GOVERNMENT propose o stop claims for 100 per cent irst year allowances in respect f private motor cars leased for he medium to long term, and o go back to the original inten-ion of the 1971 Finance Act rovisions, namely the granting f 25 per cent writing down llowances only.

Taxis, private cars, and cars which are hired on a daily or short term basis will qualify for 100 per cent first year allowances, but in order to qualify a car must normally be on hire o the same person for less than 30 consecutive days and less than 90 days in the aggregate in any period of 12 months. An exception is the car leased to a disabled person receiving mobility allowances which continues to qualify for a first year allowance irrespective of the length of the lease.

The new provisions are intended to apply to cars purchased by lessors after June 12, 1979, but with the normal saving for expenditure under a contract entered into on or before June 12, 1979 so long as the car is let not later than June 12, 1980.

The Chancellor also proposes to restrict writing down allowances for the more expensive cars. For capital expenditure incurred after June 12, 1979 the maximum writing down allowance will be at the rate of £2,000 a year (previously £1,250) so that the restriction will apply to cars costing more than £8,000 (previously £5,000). There is also to be a restriction of the deductibility of hiring charges for cars costing over £8,000, limited to a specified figure, and the Chancellor is determined that this part of the law should be effective and enforced.

In 1978 car leasing finance provided by the members of the Equipment Leasing Association —essentially the main finance houses and banks—amounted to £640m, a figure more than 10 times greater than the previous year. People in the leasing industry attribute this growth almost entirely to the relaxation of hiring controls in 1977, but there are indications that the decision by the Special Commissioners also had a significant impact.

Yesterday Mr. Tom Clark, chairman of the ELA, was predicting that the change of law would not have a significant effect on the current level of car leasing activity. Motor car leasing by ELA members is estimated at between £400m and £500m a year, amounting to between 15 and 20 per cent of the business car market.

The principal motor car lessor is Lombard North Central, the National Westminster Bank finance house subsidiary, which provided around £100m of this form of finance in 1978. Next in line is Mercantile Credit, a subsidiary of Barclays Bank. These two are followed by a group of three finance houses, including North West Securities, a subsidiary of Bank of Scotland, Bowmaker, part of the C. T. Bowring Group, and Lloyds and Scottish, a quoted finance house in which Lloyds Bank and the Royal Bank of Scotland have large stakes.

Car leasing has attracted more than its fair share of tax avoidance. The best known abuse involves the use of option purchase schemes whereby an employee of a company, or a connected party, is allowed to buy a leased car after, say, two years at a price which can be a lot lower than what the car is eventually sold for on the used car market. Leading lessors have always denied any involvement in such schemes, and they now maintain that a statement from the Inland Revenue in July 1978 has all but eliminated this aspect of car leasing.

David Wainmain and Michael Lafferty

TRANSPORT

Rail cheer; roads gloom

RAIL FARES almost certainly will not be increased this autumn, in spite of the Budget's £15m cut in British Rail's external financing limit.

Sir Peter Parker, chairman of British Rail, effectively confirmed this last night when he said: "We are hoping we can hold prices this year."

Although a decision will not be taken by the railways board until the end of the month, there was near jubilation among rail officials yesterday at the news that the Government had avoided cutting the railway's passenger service grant.

In addition, the 10p per gallon rise in the cost of petrol and derv will make British Rail more competitive in both its freight and passenger divisions. British Rail does not pay duty on the oil used by its diesel trains.

Although the railway's finances remain tight, following a 9 per cent pay settlement and the costs of last winter's strikes, the feeling yesterday was that the lower limit in capital spending can be accommodated in the short-term. An autumn rise of around 10 per cent had been considered.

The cut in the capital spending cash limit could turn out to be largely a notional one if the pattern of recent years is repeated and British Rail again underspend its capital budget because of equipment supply problems.

For road transport, the Budget makes gloomy reading. The British Road Federation estimates that total users' spending on road transport will go up by over 4 per cent, or £900m.

The freight transport industry had hoped that diesel fuel for lorries already taxed more highly than petrol, would escape yet higher taxation. The increase imposed will put up industry's transport costs by 1.5 per cent, says the Freight Transport Association.

The roads budget received its tenth cut in six years, this time mainly on the maintenance side. Trunk road spending is to be reduced by £10m, or 2 per cent.

This cut comes in spite of warnings from road engineers of a large backlog of essential repairs and estimates that last winter, snow, frost and water had caused damage which will cost between £100m and £200m to set right.

The Budget also has a nasty sting in the tail for transport with the tighter limits on rate support grant payments to local authorities. This is bound to have some effect on councils' transport spending, especially on roads and buses. Buses will also suffer from the higher fuel costs.

The local road maintenance budget, at £539m, is five times larger than the Government-run trunk road maintenance budget and would seem a likely target for further economies.

Ian Hargreaves

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A manifesto Budget

SIX WEEKS ago the country voted for a radical change of direction and yesterday it got it. The Chancellor can be accused of running some essentially short-term financial risks and for daring to be provocative; and in some instances he has been less than bold in using the price mechanism. But he certainly cannot be accused of any general lack of boldness. On a full year basis, he has cut taxes on income by £4½bn, and raised indirect taxes by £4bn, and he has made an unprecedented assault on public spending in the current year. For the short term this is a strategy of high risk; for the longer term it could hold great promise.

Style of Government

Part of the risk lies in the general style of the new Government. In cutting the higher rates of tax and raising VAT, as in earlier decisions on high pay, civil service manning, the armed forces and the police, Mrs. Thatcher's administration clearly prefers to go directly for its preferred solutions. This, in our judgment, is the right choice. In the short run, it will undoubtedly provoke all the militant forces of disruption; but that has always been inherent in the Conservative strategy.

However, a shift in the tax burden to restore incentive and a cut-back in the State's activities to restore free choice, were only two of the four objectives the Chancellor set himself. The other two—better financial balance and greater realism in wage bargaining—are much more problematic.

The wage outlook can only be judged against the background of the general outlook for the economy; and here the official forecast of a 1 per cent decline in national income in real terms sets the general tone. In the short run, at least, the Budget imposes a substantial and painful squeeze on the whole economy.

Constraint will be intense

The necessity for an immediate rise in Minimum Lending Rate to a crisis level of 14 per cent is one clear sign of this. The sharp rise in sterling which resulted from these very attractive rates despite the relaxation of exchange controls is another. The constraint on credit and the pressures of foreign competition will both be intense. Against this background, the Chancellor's warning that over-ambitious wage settlements will put jobs at risk is no rhetoric; it is a description of the actual situation facing all but the most successful employers.

The fact is that although Sir Geoffrey spoke of the necessity to make a full fiscal contribution to the control of the money supply—which would have eased the pressure on interest rates—he has been largly unable to do so in the 10 months remaining of the present financial year. Cuts of about £1bn in current and in capital expenditure have served only to get the borrowing requirement back near the path which Mr. Healey had laid down—and then seen slip almost beyond reach through excessive commitments on public sector wages.

Worsen markedly this year

The increases in indirect taxes will produce revenue in arrears—a shortage rather more than covered by the proposed sale of public secto assets. While there is some marginal relief for corporate cash flow—forecast to worsen markedly this year—through accruals of VAT, the sales of public sector paper, including real assets, will remain a virtually undiminished burden on the markets.

It is of course true that a squeeze was in any case unavoidable. The new target rate for monetary growth is not as low as it looks, since it will start from a base of two months of unduly rapid expansion, but on any interpretation it is well below the expected increase in prices and personal incomes; policy is thus effectively much tighter than it was last year.

This has an impact both on the exchange rate and on the balance of payments. The squeeze on industry is therefore likely to be still tighter than the rise in interest rates and the forecast fall in national income would suggest. The collision between cost-inflationary attitudes—further inflamed by the rhetoric which will greet Sir Geoffrey's measures—and the limitations of the real world will be violent. A tighter fiscal squeeze, leaving some breathing space on the monetary side, would have been more manageable.

This, however, is a short-term view. In a full year the result of the spending cuts and the revenue from VAT will both bring substantial further help to the borrowing requirement, while the constant-price cost of the new income tax levels will be unchanged. There is therefore firm ground for hoping that the credit crunch is temporary—and timed, perhaps, to match the expected crunch in the labour markets.

Market prospects encouraging

If the markets look over the hill, the prospect is much more encouraging; and if the main effect of the Budget is on short-term rates, it may also be quite short-lived. There is strong reason to believe that consumer demand for credit will fall quite sharply once the shopping spree in anticipation of a Tory budget ends this week; and the depressed short-term outlook will not encourage commercial expansion or stock-building.

The Budget, in short, will result, as much from the pressures in the labour market and the depressed external outlook as from any plan of a Chancellor who has foresworn demand management, in a short, sharp shock to the economy, though possibly a relatively short one. It is altogether too much to hope that such a shock will cure inflation quickly; labour markets have so far seemed unimpressed equally by tax cuts and risks to jobs.

Later, when a better balance between fiscal and monetary restraint can be achieved, and when the effects of the change in tax balance on prices have worked their way out of the statistics, the going should become easier in many respects; it may even be possible to plan for the balance of payments surplus which is appropriate to our oil wealth and required for industrial health.

A change in direction

Even now, a better balance could be achieved by still more boldness in one respect: a rise in oil taxes which could do something effective to harness market forces to the national need for economy. Some relief may be needed from what looks at the moment a monetary and exchange rate squeeze. But these would be marginal changes in an unchanged basic strategy: a change in direction which offers hopes for the future to help us get through what looks like a very rough year.

THE BUDGET

ECONOMIC ASSESSMENT

A very conservative Budget

THE Budget is intellectually as well as politically a highly conservative one. The shift to a 15 per cent VAT rate is a victory for the political hawks, not the economic ones.

The monetary and fiscal stance is not particularly anti-inflationary. Indeed it is no more so than the sort of Budget that Mr. Healey and the Treasury Knights would have prescribed. Yet it needed to be a good deal more so if the combination of a shock increase in the retail price index and the abandonment of wage guidelines was to have a chance.

A great deal was said about improving the supply side of the economy. But the policy change, which involved the largest cash sums, and into which the greatest amount of political capital has been invested, is in the shift from a 33 per cent to a 30 per cent basic rate of income-tax, paid for by a 15 per cent VAT. Maybe in the eyes of some Labour leaders it is an atrocity on a General Amin scale, and in the eyes of a few Conservatives the beginning of a new heaven. But to an economic analyst—even one whose preference is for allowing individuals to make their own choices wherever possible—the matter seems rather unimportant.

Whether through PAYE or prices in the shops, the ordinary family still pays roughly the same amount of tax.

To the extent that this family pays slightly less, it is because of the public spending cuts and not the tax switch. It is difficult to assess these cuts in an instant.

But the immediate impression they give is that of the usual Treasury trawl for economies, which takes place for instance when the IMF is asking for emergency curbs.

As Professor Alan Day, who recently announced himself a convert to the ranks of Conservative voters, has just reminded us, neither the overall rate of UK taxation nor that of personal taxes on income is oppressive by international standards. The irrational and distorting features of the British tax system have been the high marginal rates at the top and the absurdly low tax thresholds at the bottom. The reduction of the top marginal rate to 60 per cent is long overdue and could well have been undertaken on its own at a negligible revenue cost and at a largely imaginary political one. This could have been done by either Sir Geoffrey or Mr. Healey, without the upheaval of the other changes.

But there is a much more fundamental point. I remember pointing out at the time of a somewhat similar Barber exercise in 1970-71, that the real thresholds for the higher tax rates would rise quite fast as a result of inflation without a Labour Chancellor having to do anything at all. Yet with all the benefit of this experience there is no indexation commitment, nor even any attempt in the Budget speech or the accompanying documents to separate out the real element from the many tax and benefit changes from those which merely compensate for inflation.

Indeed Sir Geoffrey has actually taken a step backwards on indexation, by not adjusting the specific duties on drink and tobacco in line with inflation as Mr. Healey would probably have done in his place.

The model which the present Government had in mind was not Lord Barber, but Lord Butler's reforming Budget of 1952. But the analogy does not hold. Lord Butler undoubtedly removed structural distortions by slashing food and other subsidies, while increasing benefits for those worst off.

By contrast, the present Government has refused to use the price mechanism to make sure that all forms of energy sell at world market levels. The Chancellor had hardly sat down before a piece of news agency arrived saying that there would be no increase in domestic gas prices.

But if the social market economist finds little to cheer in the Budget details, he will not find much compensation in the overall financial arithmetic. The new monetary target of 7 to 11 per cent, appears to be a reduction on Mr. Healey's. But a careful look at the wording shows that it is at an annual rate from mid-June to mid-April. As the Chancellor gave more than a strong hint that monetary growth had been pretty explosive in the April to June quarter, the odds are that over the whole financial year it will be higher and not lower than Mr. Healey's 8 per cent to 12 per cent range.

Even this might not have mattered if Sir Geoffrey had given, as he had suggested in his pre-Election speeches a medium-term plan with figures for a gradual reduction in monetary growth in future years. The real shortcomings of Mr. Healey's monetarism was its short-term hand-to-mouth nature. The unbelieving and ritualistic nature of the Treasury's acceptance of the monetary approach to inflation shows in the way that it has prevented two successive Chancellors from indicating a longer-term approach. My suspicion all along was that this was the issue on which the Treasury would fight hardest and, because of its subtle non-partisan nature, indeed win.

How about that famous Public Sector Borrowing Requirement? At £8.3bn, it looks for all practical purposes the same as Mr. Healey's £8.5bn target. There is thus no anti-inflationary reinforcement here.

If Sir Geoffrey had taken no action, the estimate for the PSBR would have been £10bn. The properties of the Treasury economic model are such as to suggest that the means chosen to reduce the PSBR will reduce the growth of output by 1½ to 2 per cent. This yields on the conventional economic arithmetic, which neither the Chancellor nor his Shadow believes, an actual fall in output of 1 per cent in the year up to the first half of 1980. The action on the PSBR is hardly a courageous defiance of the conventional wisdom, when both market factors and his predecessor's commitment left the present Chancellor with no alternative.

The one intellectual innovation in the whole batch of budget material is that the forecasts not only have their margins of error prominently printed; in addition the alternative variant suggests that the one hope of achieving some positive growth of output is for people to go on a spending spree and the savings ratio to drop. If economists, officials and businessmen are made to think more deeply about using such forecasts as their main instrument of economic analysis, some purpose will have been served.

I could find only two favourable surprises. One was that Sir Geoffrey spoke of the "progressive dismantling of exchange control" instead of merely relaxing it. Secondly, in the economic forecast "the exchange rate is taken as determined primarily by market forces." One hopes this means what it says and is not a counterattack by those in the Treasury who want to move from the Scylla of Mr. Healey's commitment to a constant exchange rate to their own Charybdis of a planned depreciation.

Taken by itself, the switch from direct to indirect taxes would have meant only a mild and short-term risk of increased wage push. The risk has been increased by making it at a time when the underlying rate of inflation was in any case rising.

Incidentally, who will believe that the error in the Treasury's forecast of a 16 per cent in prices in the year up to next autumn is only 1 per cent. This margin is simply an average of past errors rather than a realistic estimate of present uncertainties.).

The inflationary risk is further compounded by a very unambitious PSBR and money supply objectives. To add still further to the risks, Ministers have been talked out of any longer-term monetary or fiscal targets. Indeed all we are given for slightly further ahead is a forecast that inflation will fall to the magnificently ambitious level of 14 per cent in the year to the third quarter of 1980—this time with a more realistic margin of error of plus or minus 5 per cent.

It is difficult to avoid the impression that the Budget has been almost deliberately drawn up to vindicate those in the Treasury who confidently expect a wage freeze next autumn followed by a return to pay controls.

Samuel Brittan

PUBLIC SECTOR ACCOUNTS

Financial years	Financial deficit	Net lending to private sector, and other financial transactions (net)	Borrowing requirement
1970/71	(0.2)	1.0	0.8
1971/72	0.7	0.3	1.0
1972/73	1.0	0.6	2.5
1973/74	3.4	1.1	4.4
1974/75	6.0	1.9	7.9
1975/76	8.2	2.4	10.6
1976/77	7.2	1.3	8.5
1977/78	5.9	(0.3)	5.6
1978/79	7.5	1.7	9.2
1979/80*	7.2	1.1	8.3

* Budget estimates.

Figures in brackets are surpluses or repayments.

N.B.—The borrowing requirement in the final column is the sum of the first two columns.

Source: Financial Statistics, Financial Statement

POLITICAL ASSESSMENT

The Chancellor's act of faith

NO-ONE can say we had not been warned. Sir Geoffrey Howe's first Budget turns out to be almost in every respect the Budget according to the Conservative Party manifesto. The notable exception is the two point rise of the Minimum Lending Rate, brought about no doubt partly by the poor trade figures and partly by the need to reassure the City.

It is an exception which Sir Geoffrey would have wished to avoid, not least because it could yet have a depressing effect on industry at the very time when the Chancellor is seeking to emphasise his friendly intentions. Yet it is also a reminder of the difficult circumstances in which he is operating.

For the rest, almost everything contained in the manifesto is contained in the Budget. Indeed even in those areas where, in party terms, Sir Geoffrey could probably have got away with back-tracking slightly, he has chosen to be bold. The top marginal rate of income-tax, for example, has come down to 60 per cent—or the promised European average—in one go. The Chancellor would not have been unduly criticised if the reduction had been somewhat smaller this time.

There has been similar boldness in the approach to VAT. During the election campaign the Labour Party thought—wrongly as it turned out—that it had the Conservatives on the run by suggesting that the Tories proposed to raise the rate to 12½ per cent. Sir Geoffrey has gone to 15 per cent straightaway.

Both the cut in the top rate of income tax and the increase of VAT are likely to be once-and-for-all measures. The Chancellor said as much when he stressed that the effect of the rise of VAT on the retail price index would not be recurrent. Their importance, however, lies more in a statement of philosophy than in any immediate impact on the economy. They are a sign that the Tories intend to fulfill their promises.

The philosophy runs throughout the budget statement, just as it did throughout the manifesto. There were almost countless references to the need for greater freedom of choice, to the limits of Government power, and to the need to restore incentives.

Even where Sir Geoffrey could not afford to be as bold as he might have wished—such as the lower rates of income tax or on early sales of government assets—there were repeated promises to do more later. This admission that it is impossible to do everything at once is also in line with the manifesto.

There were one or two areas, however, where there were strong hints that future action was already prepared. The increase of VAT, for example, should bring in over £4bn in a full year, just over twice as much as in 1979-80. As the Chancellor pointed out in passing, there must be a link there with tax cuts still to come.

Yet if the contents of the Budget were largely foreshadowed by the election pledges so too are the omissions. The most striking example is energy. The Conservative manifesto was weak on that subject and the Budget remains so, despite the fact that ministers have found energy supplies to be one of their most pressing problems since coming to office. The increase of the price of petrol is relatively mild; the price will not rise substantially.

The shaping of an overall energy policy may not be the task of the Chancellor of the Exchequer, but at least he could have had an influence. It would seem that the Government remains unsure what its energy policy will be, and it is striking that the Budget came down in general against an increase in energy prices except as a consequence of the tighter cost limits imposed on the nationalised industries.

There must also be a major question mark over incomes policy, especially in the public sector. Here too the manifesto was deliberately vague in an implicit admission of long standing disagreements within the Conservative Party. It cannot be said that the Budget takes us very much further.

In the private sector it is clear that the Government intends to rely on the control of the money supply and the good sense of employers and trade unions. In the public sector the main weapon will be the stricter enforcement of limits. There will also be a great deal of exhortation or, as Sir Geoffrey put it, of making sure that people understand the consequences of their actions.

The cuts to direct taxation will not doubt be used in this battle for the hearts and minds of trade union negotiators, and it is relevant that the back-dated cuts to tax will put money into people's pockets as the next wage round gets under way. Yet one wonders how many trade union leaders will be impressed by the Government stating that the man on average earnings will be £1.30 a week better off after taking account of the increase in VAT and the cuts to direct taxation.

Attention is more likely to focus on increased prices and the fact that those on higher pay will benefit considerably more from the income tax cuts. (It may be significant that Sir Geoffrey did not quantify the benefits to high income earners in the course of his Budget speech.)

There will also be a great deal more to be heard about the level of unemployment. Any increase that seems to have been caused by putting Tory policies into effect could be powerful ammunition to the unions, and to the Labour Party if it is in a state to use it.

Those are the realities. The manifesto was unspecific about incomes policy, and the Government is unspecific still. The test will come in the autumn as the pay bargaining begins in earnest. It would be wrong to assume, however, that preparations for a pay freeze have already started. This is the Budget of a Government determined that its policies should be carried out. The problem is simply that it has yet to be shown that it can be done.

There is one other point about the continuity between the Budget and the manifesto that is worth stressing. The manifesto made no promises of economic growth, nor did individual Tories during the course of their campaign. What they promised instead was to create the conditions in which growth can take place.

The Budget is the Government's first attempt to put its philosophy into practice. Sir Geoffrey still quite deliberately refrained from saying that any particular rate of growth will follow. Indeed on the short-term economic prospects in general he was bleak. There was not even the suggestion of any early rise in output. The problems, he said, were those of supply rather than demand. The Budget therefore remains an act of faith. There is no reason to believe that either Sir Geoffrey or Mrs. Thatcher herself would claim anything different. What is clear beyond doubt, however, is that for good or ill the Government is determined to turn its faith into action.

Malcolm Rutherford

EXCHANGE CONTROLS

A new measure of freedom

FOR THE first time in 40 years the British Chancellor of the Exchequer has committed himself to a "progressive dismantling of exchange controls." The steps in this direction announced yesterday could not be described as revolutionary—in particular there was no hint of abandoning the underlying principle that British residents acquire foreign exchange only by permission of the Government and the Bank of England—but within this constraint a significant new measure of freedom has been created.

The most noteworthy step in cash terms is the decision to allow British companies much greater financial freedom to invest in plant and in companies abroad. Companies will now be able to invest official exchange—foreign currency bought at the market rate—to the value of up to £5m per project per year. They will be able to choose whether and to what extent they repatriate the earnings of their overseas investment: till now they had to send two-thirds home. Any overseas borrowing would be repayable with official exchange over five years, to the extent that this requires more than the £5m allowance.

This change fulfills what was the main desire, in the area of exchange controls, of the Confederation of British Industry. Till now, investment overseas at official rates of exchange was heavily circumscribed — in particular by a "supercriterion rule" which insisted that the foreign currency pay-off of any overseas direct investment be very rapid indeed. In practice, the greater part of all such investment had to be financed by local borrowing. The Treasury estimates that some 90 per cent of all cases of UK direct investment abroad will now be financeable at the official rate if the investor so chooses.

For private individuals the most significant development is a surprising new freedom to acquire property abroad. This is quite possibly the most politically overt gesture of the whole Exchange Control package. Purchases of property must no longer be made via the investment currency premium, and payments to non-residents for the purchase or improvement of such property will be allowed via the official exchange rate, up to a limit of £100,000 per family per year. On the other hand existing properties bought via the premium will no longer be able to be sold at the premium rate, or the proceeds used for other premium investment.

The Government has also decided to allow more money for foreign travel. Control over travel expenditure has effectively, if not officially, become pretty lax of late, but the UK resident is from now on allowed to draw £1,000 per journey in foreign exchange from his bank without reference to the Bank of England—up from £500 previously. Businessmen are now permitted £5,000 (£3,000) or £200 per day (£100) for business trips. Emigrants from the UK can now take out £200,000 (with any excess held back for four years)—previously the allowance was £80,000 for the EEC and £40,000 elsewhere. Allowable gifts and payments to dependants abroad have now been increased to £10,000 per donor per year.

The area of exchange controls where relatively little new leeway has been allowed is that of portfolio investment. The first of the two "modest steps" announced by the Chancellor is that investors will no longer have to hold overseas securities and investment currency worth, together, 115 per cent of all foreign currency borrowed to finance his overseas portfolio investment. The effect of this was to force such investors to buy more premium currency if the value of their shares on Wall Street, or elsewhere, fell.

The other step, which should also marginally reduce the demand for premium currency, is that interest on foreign currency borrowing for portfolio investment will now be payable using official exchange.

Basically, therefore, this Budget does not contain major shocks for the investment dollar premium, (whose value is chiefly concerned with portfolio investment) which it has not already absorbed. The Government's commitment to a dismantling of exchange controls must confine the premium to a lower range than before.

Finally, the Chancellor has now decided that the British public may now buy, sell and hold gold coins without restriction. In 1975 investor interest in Krugerrands prompted the Government to ban the further import of gold coins minted after 1937, except by authorised dealers.

In the absence of major concessions on portfolio investment abroad the most interesting change for the City of London's "invisibles" business is that the Chancellor intends to re-allow London banks to finance trade between third countries in sterling. This right was removed in the winter of 1976, thus sacrificing a traditional overseas business of British banks for a once-and-for-all gain of about £1bn to the British balance of payments as overseas traders unwound their sterling debts.

The Treasury and the Bank of England make no attempt to quantify the effect of these relaxations on the British balance of payments. The greater the lack of confidence in Sterling the greater their adverse impact on the balance of payments will be. It is also pointed out that any outflows for investment purposes will yield inflows of foreign income in time. Certainly the initial reaction in the currency markets yesterday, where the pound rose strongly, did not suggest widespread fear that an exodus of British savings would now result.

Perhaps significantly the Chancellor did not justify his exchange control decisions with the argument that the relaxations might help to hold the sterling exchange rate down to a level which would keep British exporters happier. He took the strength of sterling as a "given" and used this as a justification "for giving both companies and individuals wider freedom of choice."

Countering Labour Party hostility to the relaxations he argued that the greater freedom of British industry to invest abroad would not threaten jobs in the UK:" the weight of evidence is that overseas investment generally strengthens our position in world export markets to the benefit of output and jobs in this country, he argued, adding that "additional investment overseas will stand us in good stead when the overseas earnings from North Sea oil continue to decline."

Nicholas Colchester

THE BUDGET

INCOME TAX CHANGES

A big boost to the pocket

BASIC rate of income tax luced from 33 per cent per cent, and the Chans stated aim is to get it to 25 per cent in the few years. Taken with increases in personal nces, (of £280 for a marian and £180 for a single ι) these changes could be ıed as generous.

archetypal married man two children under 11. has taxable income of , will find £295 more per ı reaches his pocket and ife's handbag than last (The child benefits of r child per week going ves were increased in and Sir Geoffrey has not ed them. There is also ll increase between last and this in the burden tional insurance deduc-

ur married man is earn- 10,000 per annum, he s an additional £120 g him £415 to the good— ie in the basic rate band, £1 of income is worth istead of 67p to him.

ve the basic band—that is, a taxable income for a d man of £11,815—the are:

£2.000 at 40%
£3.000 at 45%
£5.000 at 50%
£5.000 at 55%

t at £26,815 the top rate per cent is reached. At igure, a tax liability of 2 compares with £13,934 our married man would aid at last year's rates— t to his spending of no ıan £3,572.

ı additional £1 of income *fter leaves 40p in his* rather than 17p.

erosity was a word which the Chancellor specifically rejected in his speech. He does not describe the process of letting taxpayers keep more of their own money as being generous.

He has dramatically reduced the impact of the investment income surcharge. It previously took 10 per cent of dividend income between £1,700 and £2,250, and 15 per cent of each £1 thereafter. (For taxpayers over 65, the 10 per cent applied *from £2,500 and 15 per cent from £3,000*).

The current proposal is that there should be a single 15 per cent rate applying in the case of young and old alike, but only to investment incomes of more than £5,000. The Chancellor made no mention of any reduction or change in the 15 per cent tax charge levied on the income of accumulation and discretionary trusts.

Although tapayers over 65 are no longer to have any preferential treatment for the investment income surcharge, they do benefit from the increases in the age relief (of £380 married and £240 single). With an income wholly in the *form of pensions of £4,000, for* instance, the married couple will find their tax bill reduced by £149 to £426.

Age allowance used to be tapered out for incomes over £4,000, but this threshold is now raised to £5,000. The "marginal relief" continues to operate by taxing each £1 of income above that at 66⅔ per cent.

Simplification to a Conservative Chancellor means taking taxpayers out of tax. He has removed 1,300,000 people from the tax net by raising the personal allowances to the levels he has. (Mr. Healey would only have removed half as many if his April proposals had been put into effect.)

Sir Geoffrey has also *achieved a reduction in the* numbers paying any tax at more than the 30 per cent basic rate, by combining the personal allowance increases with the £2,000 rise in the threshold at which the higher rates first become payable.

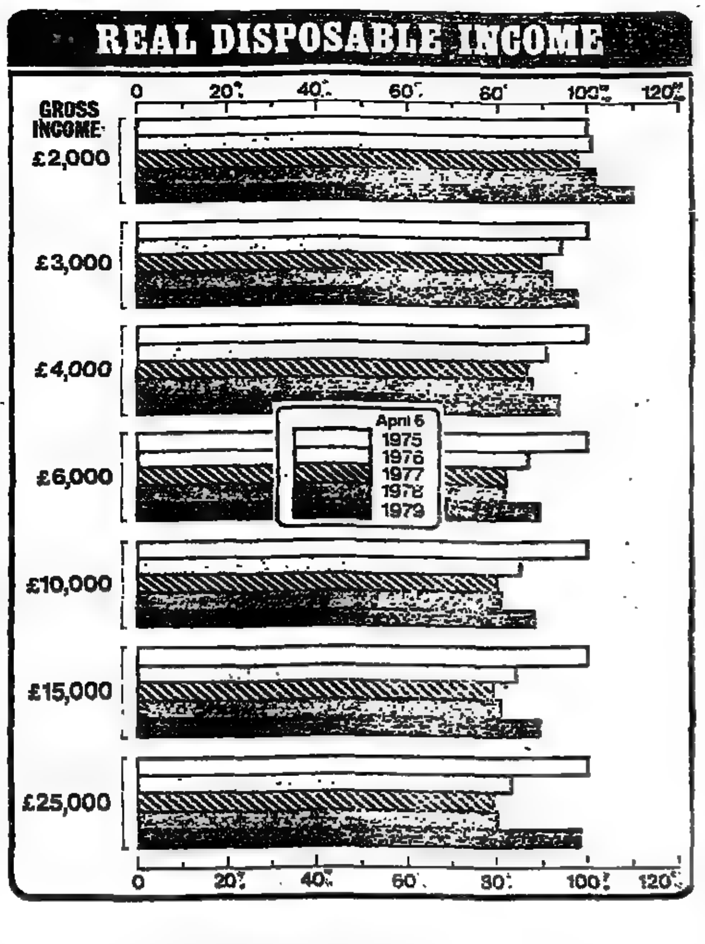
Real spending power in his pocket is still what budgeting means to the individual taxpayer. The chart illustrates this. It is based on the assumption that during each of the three years of pay policy which ended in August, 1978, the taxpayer concerned achieved no more and no less than the maximum permitted increases in earnings. In the year since, pay policy has effectively ceased to operate he is assumed to have achieved income growth of 13.3 per cent, this being the rise in average earnings during 1978. All of these increases bring him now indicated. Tax and National Insurance are taken off, and the addition to his spending power in the form of child benefits for two small children has been added in. This produces the net spendable income figure which the taxpayer is left anticipating each year when the Chancellor sits down.

Finally, these net spendable income amounts have been indexed in line with the Retail Price Index. At the lower income levels, some improvement *in real disposable income began* to show through a year ago. It is, however, only in this Budget that the Chancellor has dramatically reversed the trend of earlier years and has given spending power to the people.

After last year's Budget the table in my article was headed "the nagging doubts remain." Could this country's entre*preneurs, managers, and skilled* labour-force be sufficiently mobilised and encouraged by the apparent standstill in their real disposable income? Particularly when that income itself had been effectively cut during two years before that by a punishing 20 per cent.

The table now shows a strong upturn—most marked at the highest income levels.

David Wainman



VAT AND DUTIES

A surprisingly bold approach

CHANCELLOR has surmost commentators by ɛtent of the increase in a uniform 12½ per cent videly expected, 15 per as not. But by his bold VAT Sir Geoffrey has ed himself with room for uvre.

VAT changes are the of the Budget no less *he changes in income tax* ed, the £2.035bn which the se in VAT rates will yield 1979-80 made the radical es in income tax possible. the £4.175bn expected in year provides the prospect ilier income tax reductions future.

his Budget speech Sir ey gave some reasons for rring to raise additional ue from VAT rather than possible alternatives. VAT road-based tax, including co, drinks, and petrol, for *reason raising it is prefer-* to increasing the specific s on tobacco and drinks: ncrease in petrol duty has urate, fuel-saving, justifica-

rther, because of the wide ating, covering almost all tuffs, transport, fuel, rent children's clothes, the tax less heavily on the lower ıe groups than *would a* antial increase in the beer tobacco duties.

ntrary to widespread belief, ly Expenditure Survey data *s that, up to high income* s, VAT is not regressive. ikes a somewhat smaller rtion of the disposable ne of lower income groups of the higher because the rated goods take a larger share of the budget of the poorer.

In addition, as the Chancellor pointed out, the increase will have the advantage of improving the liquidity position of most traders. The exception is "repayment traders" such as retailers of children's clothing who pay VAT on goods they receive and then reclaim it from Customs and Excise.

The trader paying VAT will benefit from an increase in interest free cash; and although repayment traders will correspondingly lose, their loss will be minimised because repayments are monthly. VAT tax payments, on the other hand, are quarterly. The other side to this picture, of course, is *that the Chancellor has to wait* for his money. This explains why the yield in a full year is more than twice that of the remainder of this year.

A further attraction of VAT to the Chancellor was that, unlike the national insurance surcharge favoured by his predecessor, there is no danger of VAT entering export prices *since all exports are zero-rated.*

Sir Geoffrey might have given another reason for the attractiveness of VAT. Unlike specific duties, it is effectively index-linked because it is a percentage of price; when prices rise VAT revenue rises more or less in proportion.

Surprising though it may seem, the increase *may not be unpopular* with traders generally. Research evidence has suggested that one cause of resentment felt towards the tax by some retailers whose sales included *many* zero-rated goods, was that the *considerable* time they spent in record-keeping and collecting tax did not even yield much net revenue to the Government; to be an unpaid tax collector was bad enough; to do all the work with minimum benefit to the country was adding insult to injury.

The Budget changes will almost double the amount handed over to Customs and Excise. *More popular is likely to* be the return to a uniform positive rate which had been a feature of the tax as introduced by Anthony Barber. This will reduce the compliance costs of traders whose goods were hitherto subject to standard and higher rates, whilst manufacturers whose products were previously subject to the higher *rate will now no longer feel* discriminated against. Because the rate is uniform and because it is associated with reductions in income tax which give consumers more spending power, no manufacturers or traders will have cause to fear that the higher rate will significantly reduce their sales.

Whilst the higher standard rate should make little difference to the costs of administration, establishing a uniform rate should reduce the burden on the Customs and Excise. Per*haps the most surprising omis*sion from the Chancellor's measures is the failure to raise the *exemption limit, at least in line* with inflation, which might have reduced the need for a few more revenue officials.

The *net effect* of the VAT changes is to increase the retail price index by some 3½ per cent. The Chancellor has specifically protected pensioners and those on social security benefits against the price increases and has pointed out that his income tax reductions will leave income tax payers better off. For the average taxpayer this will be true, *but anyone contemplating* a large outlay, such as an expensive holiday, a major house alteration or a refurnishing, or the purchase of a new car will find themselves hard hit.

The price of a small family car will rise by about £200; the Renault 5 GTL, for example, renowned for its fuel economy, now costs £2,990, but next week will cost £3,184; whilst a family saloon like the Renault 18TS will cost an extra £246 next week.

The big question mark about the VAT changes must be their effect on wage demands. If trade unions behave logically, then the increase in disposable income from the income tax re*ductions should offset* any tendency for the higher prices to generate higher wage demands. It was, after all, Sir Geoffrey's predecessor who encouraged the trade unions to moderate wage demands in exchange for tax reductions. In the end it is real take-home pay that matters. But the Chancellor is taking something of a risk that the increase *in the rate of price inflation,* albeit a once-for-all increase, may stimulate inflationary ex*pectations.*

The *new* VAT rate comes into effect on June 18. Retailers will still have available all the present special retail schemes for payment of VAT, though they will be subject to adjustment as a result of the new rate.

*The fraction to be used in cal*culating VAT at 15 per cent from tax-inclusive prices is 3/23rds. The necessary Notices of modification can be obtained from local VAT offices, including a ready reckoner for calculating VAT at the new rate.

Cedric Sandford

Professor Sandford is director of the Centre for Fiscal Studies at Bath University.

CREDIT SQUEEZE

A painful and expensive period

SURPRISE 2 per cent rise ıe Minimum Lending Rate the extension of the suppletary special deposit scheme Corset) means that both corporate and personal ors face a fierce credit eze.

recent months bank lendhas been accelerating mingly. At first this was ained away by special ors. The UK lorry drivers' ute, bad weather earlier in year, and the civil servants' ke were all cited as factors ating loan demand—temporaly.

ore recently, however, it has ome obvious that, aside from e factors, underlying loan and was accelerating. In the e months to mid-April, ling bank lending to the ate sector rose by £2.4bn— er than it had in the pre- ıs six months.

he May money supply figures not yet available, but the st London clearing bank tistics for May indicate that underlying increase in bank ding was rather greater than each of the previous two nths. Instead of a monthly rease of £400m or so in bank ding, the latter has been wing by over £600m a month r the past half-year. This is background against which current credit squeeze is king place.

Part of the rise in bank lending undoubtedly reflects higher working capital requirements following on from the rise in commodity prices—particularly oil. There is evidence that some companies have been stockpiling materials ahead of further prices increases. To this extent the underlying increase in recent lending may be overstated and there could be room for some unwinding of working capital requirements in the next few months. In addition, there are signs that some corporate *treasurers may have been secur*ing six- to 12-month money recently because they feared another rise in interest rates.

However, these caveats cannot disguise the problem that both the corporate sector *and* the personal sector face a very severe credit squeeze in the coming months.

The corporate sector was already expecting to be in sizeable deficit in the current year and the latest moves only exacerbate companies' problems. The rise in sterling is eating into export profits and *the trend in domestic profits* following inflationary wage settlements has only worsened their financial position.

Until now corporate borrow*ing* does not appear to have been very interest rate sensitive. Whether the coming rise in base rates wil alter this remains to be seen. There are a number of ways companies can cut back on their bank borrowing and these will have serious implications for the financial markets.

First, they can *have more* rights issues. This is a course a number of companies are already following and more money has been raised so far this year than in the whole of last year.

However, with the Government planning to raise around £16m from sales of assets like its BP shares—well over a third of the money the institutions put into equities last year (around £2.5bn)—there must be limits to how much more money the equity market can provide for hard pressed companies. The other alternative is to cut back on investment spending, which had been growing at close to 10 per cent in real terms last year. This seems a natural target.

Even if the corporate sector does start to trim its sails it is not going to find it easy to cut back its borrowing from the banks. The other sector which will suffer from the credit *squeeze will be the personal* sector. The buoyancy of retail sales and the sharp rise in hire purchase spending indicates that the personal sector has been borrowing heavily to finance the recent consumer spending boom. The latest London clearing bank figures show that personal lending rose by just under £1bn or 24 per cent in the year to mid May.

While both the personal and corporate sectors are going to find it both more expensive and far tougher to borrow money, the brunt of the credit squeeze in the short term will be felt by the clearing banks. Industry has very sizeable unutilised overdraft facilities at the big banks which can be drawn down easily if others refuse to lend.

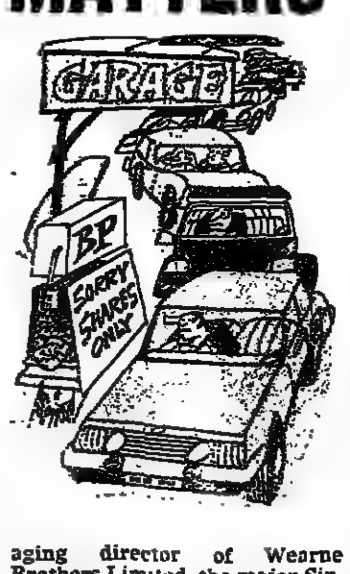
For the banks the big concern now is the corset. One banker last night *described it as the* "tightest ever" and although it may succeed in curbing loan demand to some extent, a number of banks are now resigned to suffering penalties *in the summer months.*

Fortunately for the authorities institutional cash flows are continuing to rise healthily and the big institutions should have close to £10bn to *invest in the current year.* Provided sterling bank lending to the private sector in the current year can be held at around £5bn (it has recently been growing at nearly £10bn) and the authorities can sell £6bn of gilts, the authorities may be able to meet their public sector borrowing requirement. But it is going to be a painful and expensive period for the personal and corporate sectors.

William Hall

MEN AND MATTERS

By-passing the Copperbelt



The suggestion that security hazards may cause a reconsideration of the Queen's visit to Zambia for the Commonwealth Conference is underscored by news of that country's problems in recruiting Britons for its mining industry.

Zambia's copper mines employ more than 3,000 expatriates —metallurgists and similar specialists. In colonial times, these came almost exclusively from Britain and South Africa. At the moment, there is what an official calls a "desperate shortage" of imported skills. Recruiting is now going on as far afield as Sri Lanka and the Phillipines to make good the shortfall.

I learn that few graduates from the Royal School of Mines, at Imperial College, London, will no longer go to the Zambian Copperbelt—once a prestigious start to a mining career. Curfews, robberies and food shortages are held to blame.

Instead, Britain's young metallurgists are applying for jobs in Australia or Canada— and increasingly to our own Coal Board.

Collector's items

Smokers who feel even more breathless than usual after Sir *Geoffrey Howe's stint yesterday* are still unlikely to try the Indonesian solution. Cities such as Jakarta have armies of dog-end collectors, who walk around with long tweezers and tin cans.

Most in demand is a popular brand of cigarette which contains cloves—for the cloves are costly. At the end of each day the collectors go back to the factories with the results of their freelance enterprise. The recycling process gives employment to thousands.

Paradise regained

The European car business will shortly be stimulated once again by the ebullient personality of Filmer M. Paradise. After four years in the Far East, he is returning to Britain, where he was sales director of Leyland *cars until 1975. The American-*born Paradise, known for his large cigars and energetic tennis, worked with George Turnbull at Leyland. Will he be coming back to Chrysler, where Turnbull is now chairman and managing director?

When Turnbull was on his way back from Korea, where he created the Pony car industry, he stopped off in Singapore for a holiday with Paradise. That was in 1977; Paradise was then still declaring his resolve to stay in Asia indefinitely, as managing director of Wearne Brothers Limited, the major Singapore and Malaysia car traders.

Now he says he is about to take up—at the age of 60—"a senior position in the European automotive industry." Paradise refuses to name the company, but says there will be an announcement at the end of this month.

When he took over Wearne in 1975, its post-tax profits had fallen to S$2.9m, but by 1978 had *risen to S$17.1m (£3.8m).* Wearne is part of the "informal grouping" of companies in the Oversea-Chinese Banking family; it distributes vehicles for BL, General Motors and Rolls-Royce. When I asked a Chrysler spokesman whether Turnbull was about to give his former colleague a sales post, he replied that "everyone was *listening to the Budget*" and could not comment.

Bullish pensioner

Like boxers, bullfighters seem to find it hard to quit the ring. The abject performance of his successors has provoked Spain's best known and certainly richest bullfighter, El Cordobes, to resume his cape—naturally, after some well-publicised agonising. Now 43, he retired six years ago, but insists his *return has nothing to do with* money—"I've got enough." And indeed he has two splendid farms and a private aeroplane.

Cordobes says he misses the *excitement of the ring, of which* he should find plenty when he resumes his career next month. True to his unorthodox form, he will fight not two bulls but all six.

Despite criticism of Cordobes' style by purists, and by others that he was enriched by Franco (who cultivated him as a national symbol of Spanish masculinity) bull-fighting needs a boost like Cordobes. The main bullfights in Madrid this year have been notable principally for their mediocrity, reaching a nadir a few weeks ago when all three matadors were injured by their first bulls and the remaining fights had to be cancelled.

Friend in need

On such a day as this, what could be more timely than the notice a colleague saw recently in the window of a New York loan company: "We can lend you enough to get you completely out of debt."

Curing a complex

Even if British inventiveness has not yet come up with an answer to the economic mailaise, it is at least being applied to solving the problem of Melbourne's desire to make a splash. Demand for entry kits (at £5.80 a time) for the competition to find a suitable landmark for the city has been such that the Victoria Promotion Committee in London yesterday sold out. A few spare kits are being flown over from Italy.

Over 1,000 people in the UK have now tried for the £58,000 prize, which will be awarded for "a unique concept" to put Melbourne on the same map as Sydney and its much-envied opera house.

Down under, a mere 685 citizens of Victoria have attempted to encapsulate suitably the spirit of Melbourne, and only 196 other Australians. The spokeswoman for the promotion committee said she "declined to commit herself" on whether this had to do with the fact that they might actually know Melbourne. "There are, after all, a lot more people in Britain," she pointed out logically. "But it's true, Australians don't seem to be very *interested.*"

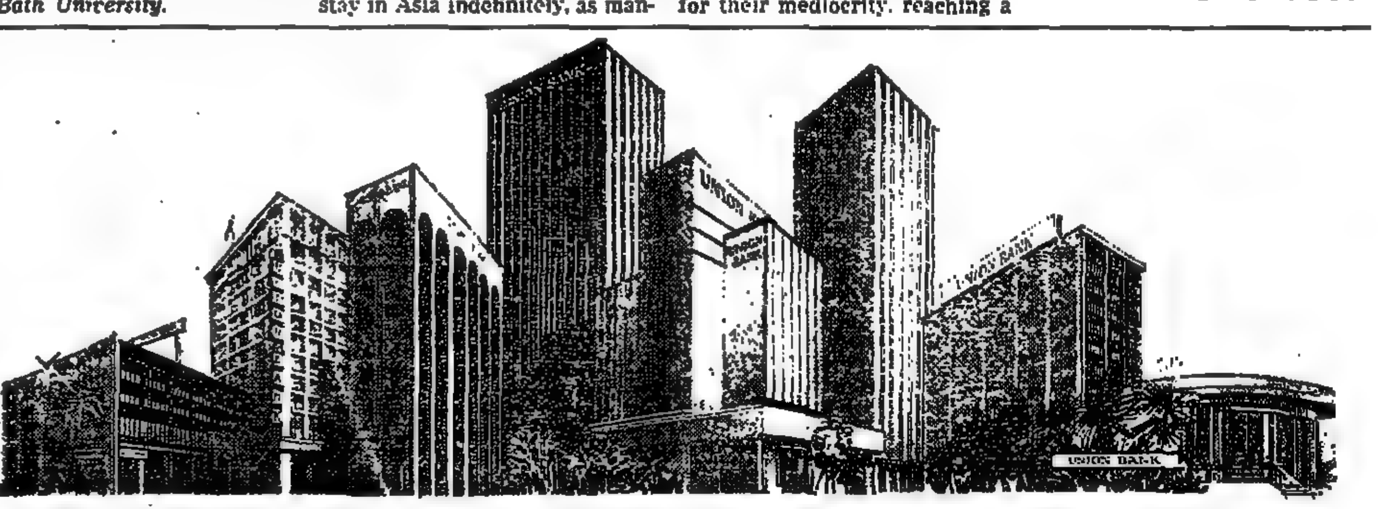
The spirit of Melbourne (to be built on all or part of 80 acres of decked-over railway yards) has assumed strange *shapes in the minds of certain* entrants. They include a 50-ft-high kangaroo with a fountain in its head, a miniature jungle full of wild animals, a house made of glass, and a monumental can of Fosters.

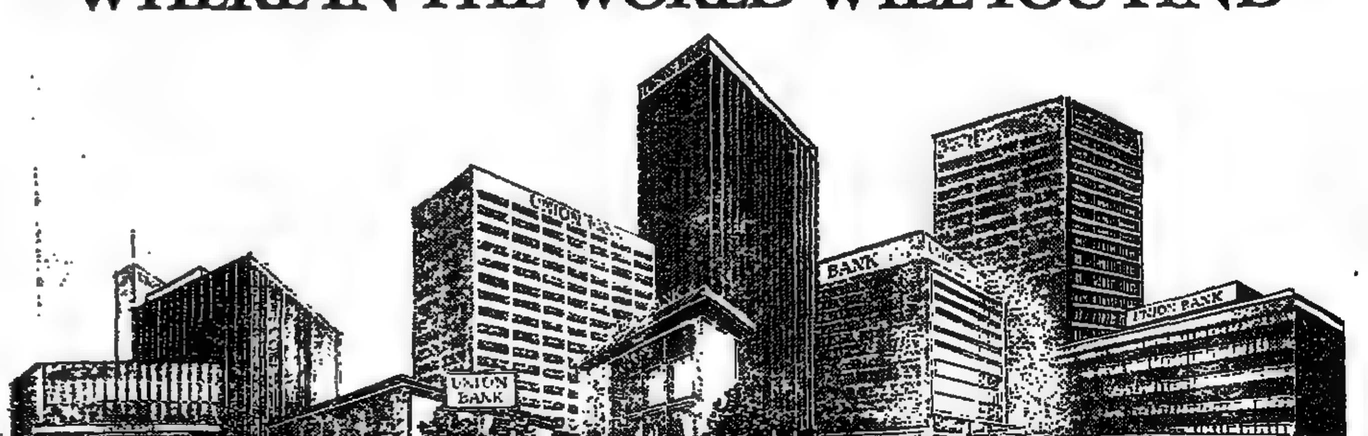
The ideas are, I am told, not regarded as quite the thing for Australia's staid financial capital.

Rare birds

An English tourist who stopped *at a cafe in a small town in Ken*tucky was amazed to find the bill for two poached eggs on toast came to $4. "Eggs scarce around here, are they?" he demanded sarcastically. "Plenty of eggs," drawled the owner. "But tourists are damned scarce."

Observer





Hill Samuel net profit 13% higher at £7.73m

By Michael Lafferty.

AFTER interest on loans and minority interest but before exchange differences and extra-ordinary items, profits after tax of the **Hill Samuel Group** rose from £6.85m to £7.73m in the year ended March 31, 1979.

The merchant bank also had a successful year with profits up from £3.92m to £4.56m before investment results, but after minority interest and transfer to reserve for contingencies.

However, the group is to re-organise its insurance broking subsidiary, Lowndes Lambert, whose profits have slipped dramatically this year. This will probably mean the loss of about 200 jobs and would save at least £1m in wage costs when the operation is completed in two years' time.

Lowndes Lambert is one of the medium-sized insurance broking members of Lloyd's. It specialises in the marine, North American and construction markets in some areas of which trading conditions have been tough recently. As part of the reorganisation as many as half the 800 jobs located at the present headquarters in East-cheap in the City are to be moved to Swindon. A further 500 Lowndes Lambert staff are already employed outside London.

Yesterday Hill Samuel executives refused to disclose details of the actual trading results of Lowndes Lambert, or the intended cost savings beyond saying that the group was "looking for substantial savings."

Hill Samuel also announced yesterday that Mr. David Macdonald, the retiring Director-General of the Takeover Panel, is to take up a senior position within the group with responsibility for certain aspects of corporate finance. As a member of the main board he will be charged with looking after the merchant bank's large clients, as well as seeking new business.

After-tax profits for the broking and consulting services division are down from £2.8m to £2.2m, but this disguises a significant profits improvement in the Noble Lowndes pensions consulting company, which is now the main profit-earner in the division. The implication is that after tax profits from insurance broking are at least £1m down on last year.

	Year 1978-79	1977-78
Merchant banking:		
Profit	4,555	3,923
Investment profits	387	299
Broking and consulting*	2,821	2,772
Life & investment	1,132	998
Other services less central costs	189	235
Interest on loans	1,159	1,375
Profit after tax	7,729	6,852
Exchange deficit	1,219	†1,729
Extraord. profit	590	‡1,970
Leaving	7,100	6,611

* After credit for £389,000 release of prior year tax provisions. † Surplus. ‡ Loss.

Disclosed net earnings per share before exchange differences and extraordinary items are stated as 13.05p against 11.63p and a net final dividend of 3.4858p lifts the total from 4.904p to 5.3198p.

The extraordinary profit of £590,000, after tax, includes £434,000 release of provision made in 1978 on termination of the shipowning business and £137,000 surplus on sale of The Elizabethan Marine and General Insurance Company.

It excludes £1 taken to banking reserve for contingencies in respect of the surplus arising on the sale of the broking and consulting services of The Hill Samuel Group (S.A.).

At March 31, 1979, group consolidated balance-sheet totals were £1.41bn compared with £1.3bn last year (excluding the assets and liabilities of insurance subsidiary companies which are not consolidated).

● **comment**

After three years hovering just under the £7m mark, **Hill Samuel's** attributable profits have started to move ahead again with a rise of 13 per cent. Comparison with banks such as Kleinwort Benson and Schroders *is difficult* because the latter have December year ends while Hill Samuel concludes its financial year in March. That said, Hill Samuel appears to have done slightly worse than Kleinworts but better than Schroders and Morgan Grenfell on the traditional banking side, where profits are up by 16 per cent. However, at the group level Hill Samuel is still failing to fire on all cylinders. This time it was the Lowndes Lambert insurance broking operation which disappointed. Of all the big accepting houses Hill Samuel probably has the best recovery potential but has yet to convince the stock market that it can realise its potential. At 112p the shares yield around 7 per cent.

HIGHLIGHTS

The Lex column is naturally dominated by an examination of the Chancellor's Budget measures. Elsewhere, **Allied Breweries**' results for an extended by accounting changes and the inclusion of **J. Lyons** for the first time. The shares weakened yesterday but the City took the view that there should be scope to improve the return in the brewing and th new food manufacturing divisions. **Associated Newspapers** offered better news of the outlook for its loss-making Evening News. Oil interests contributed strongly as did the rest of the publishing operations, and profits of £21.3m were ahead *of most external estimates.* **Dobson Park Industries** has called a halt to its tentative bid negotiations with Mining Supplies, while Mr. Sandy Marshall, new chairman of **Bestobell**, has decided to resist the £26m approach from BTR. Following the successful bid from Lonrho, the chief executive of **Scottish and Universal Investments** has resigned.

Terry Kirk

Sir Robert Clark, the chief executive of Hill Samuel, in the Bank's Foreign Exchange dealing room.

Allied Breweries £124m profit

Including J. Lyons and Company, from October 1 last year, profits before tax of Allied Breweries amounted to £123.5m in the 17 months ended March 3, 1979 on sales of £2.2bn. Annualised profits were £112.3m from sales of £2.14bn.

The directors consider the results to be satisfactory despite a poor summer, restricted prices, the road haulage strike and a *prolonged strike at the Warrington brewery.*

Due to the Lyons acquisition and the extended accounting period, comparative figures for 17 months are not practicable. However to give an indication of the group's recent performance, a divisional analysis on an annual basis is given.

This shows that for the 53 weeks to March 3, 1979 against 52 weeks ended September 24, 1977, *there was a* £54.8m (£42.8m) contribution from beer, £42.8m (£36.5m) from wines spirits and soft drinks, £1.7m (£1.3m) from hotels and £3.9m (£5.3m) from the international division. The Lyons group contribution, including the American companies to December 31, 1978 was £16.3m against an adjusted £8.4m for the 52 weeks to March 31, 1978.

Stated earnings per share for 17 months are 17.3p but the directors say the pro-forma earnings of 14.1p for 12 months are more representative of the group's performance.

The final dividend is 1.8314p making a total of 6.2214p—in the previous 12 months, a total of 3.9328p was paid.

Capital expenditure during the 17 months totalled £106m of which £86m was in the UK.

Provisional budgets for capital expenditure on fixed assets authorised by the board were £103.2m for beer, £28.7m for wines, spirits and soft drinks, £6.1m for hotels, £12.8m for international and £32.9m for food.

In the beer division the profit on disposal of properties was £6.1m compared with £2.2m in the 52 weeks to September 24, 1977.

The improvement in trading profits would have been greater but for the adverse effect of the 19 days strike in the South East in November and the 12 weeks stoppage of the Warrington brewery of which some seven weeks was in the period under review and is estimated to have cost some £5m up to March 3.

● **comment**

The figures from Allied Breweries are complicated by changes in accounting periods and practices. Taking the 53-week period to March 1979 and deducting property disposals as well as redemption proceeds net of a stated exchange loss, the underlying pre-tax figure is still below £100m at £97.4m. This gives fully-taxed earnings per share for the period of 7.2p compared with the published level of 14.1p. The £16.3m contribution from J. Lyons is about in line with expectations, though the doubling in profits can probably be accounted for largely by disposal proceeds taken in above the line. With wine and spirits also performing up to par the weak link is clearly brewing. The reorganisation of this sector should soon be paying off, though the overall figures for the past 22 weeks are disappointing. The pre-tax profit for this period is £22.1m—deducting a 53-week profit of £90.2m published last November—and some analysts had been looking for half as much again. The Chancellor's decision not to impose a specific additional duty on beer should help margins, though the share still dropped 2p to 89½p on yesterday's announcement. Annualising the dividend gives a yield of 7.3 per cent, which is enough of a premium on the sector to keep the shares attractive. The growth potential in Lyons and brewing is reflected in a fully-taxed p/e of 12.3.

Johnson Matthey on target with £21.6m

TAXABLE PROFITS of **Johnson, Matthey** the gold, silver and *platinum refiner*, advanced from £18.87m to £21.58m in the year to March 31, 1979.

The surplus was in line with the forecast made when the group made a £19m rights issue. It then announced that the nine-month taxable surplus was ahead from £13.4m to £14.5m.

The Board's prediction of a 5.9p net final dividend per £1 share has also materialised and the total has been lifted from *an equivalent 5.4935p* to 8.5p. Treasury approval has been given.

Tax for the year takes £10.02m, against £8.61m, and stated earnings per share are ahead from 23.7p to 27.1p.

● **comment**

Johnson Matthey's full-year results are in line with the company's forecast. The 14 per cent profits rise reflected growth both *at home and overseas*, particularly in the third quarter. Most of the expansion came from increased trading in gold and platinum, the value of which has jumped dramatically in recent months. While group's banking activities are buoyant, margins elsewhere are tight because of the slow economic recovery in many parts of the world. This suggests that growth in the current year will be equally *unspectacular, although the company* will clearly benefit from any continuing rise in the value of precious metals. Meanwhile, apart from helping to finance the heavy capital expenditure programme, the recent rights issue has given an opportunity to boost the dividend yield. At 245p, this stands at 5.3 per cent, while the p/e is 8.8 on stated earnings.

Yearlings rise to 11¾%

The coupon rate this week's batch of local authority yearling bonds has increased slightly to 11¾ per cent, compared with 11⅝ per cent last week. Issued at par, they are due on June 18, 1980.

The issues are: City of Manchester (£0.5m), Inverness District Council (£0.5m), Wigtown District Council (£0.5m), Monklands District Council (£0.5m), Hambleton District Council (£0.5m), Cumbernauld and Kilsyth District Council (£0.25m), Lliw Valley District Council (£0.15m), Ynys Mon — Isle of Angelsey Borough Council (£0.5m), Kingswood District Council (£0.25m), Copeland Borough Council (£0.5m), Hart District Council (£0.5m), Strathclyde Regional Council (£1m), Barnsley Metropolitan Borough Council (£0.5m), London Borough of Haringey (£1m), Newbury District Council (£0.25m), Oldham Metropolitan District Council (£1m), Borough *of Sunderland (£1m)*, City of Dundee District Council (£0.5m), Renfrew District Council (£1m), Metropolitan Borough of Sandwell (£1m), East Lindsey District Council (£0.5m) and Torfaen Borough Council (£0.25m).

Gillingham Borough Council *is raising £0.5m 12¼ per cent* bonds due on June 9, 1982, at par, while Lochaber District Council *is issuing £0.25m 12¼ per cent bonds due on June 13, 1984,* also at par.

Hoveringham first half downturn

First half results at **Hoveringham Group** would be disappointing *compared with last year*, Mr. G. H. Christopher Needler, chairman, told the AGM.

But, he added, the sound development of the company had continued and given reasonable trading and weather conditions, some recovery was hoped for in the second half.

First half profit last year was £2.4m and the year's total came to a record £4.86m.

Empire Stores (Bradford) sees good first half

Mr. John Gratwick, chairman of **Empire Stores (Bradford)**, told the annual meeting that he expected results for the first half of the current year would again be satisfactory.

Progress made in the opening months had been maintained and sales pattern to date was in line with expectations, he said.

It was more difficult to forecast the likely outcome of the second half but the chairman was reasonably confident the group would continue to make progress during the remainder of the year and that 1979-80 results would show acceptable increases in both sales and profits.

Following the rights issues of 1975 and 1977, substantial increases in dividend were made and the directors now believed that the current level of dividend which was covered 2.6 times was a realistic and appropriate payment, Mr. Gratwick said.

He anticipated a continuation of increases in dividend related *to profit growth "but of course* subject to our overall finance position."

Barro Equities

The liquidator of Barro Equities, which was wound up in 1966, said yesterday that any final distributions will be dependent upon the ultimate UK tax clearance but will be extremely small. The liquidator warned that it would not be prudent to anticipate such a payment.

Assoc. Newspapers jumps to £21.3m at 12 months

A JUMP of nearly £6m in taxable profits in the year to March 31, 1979 is reported by **Associated Newspapers Group.** After further improvement in the second half the group, which includes the Daily Mail, property and North Sea oil, lifted the surplus from £15.46m to £21.33m.

After extraordinary items, which include the £5.5m costs of re-organising the Evening News, earnings are up from £6.35m to £9.06m.

The Board now says the improvement in earnings over the next six months is expected to continue, but at a *lower rate than* last year.

It adds that Evening News losses had been projected at an annual rate of £7.5m but, as a result of the £5.5m payment in notice and redundancy compensation, the projected loss has been reduced to a level where future profits should be achievable.

At half-time the group had raised the taxable surplus from £7.26m to £9.21m — making a near £4m improvement in the second half.

Turnover for the year was up from £156.8m to £184.4m from which there was a trading profit of £16.64m, against £11.16m. The net surplus is ahead from £7.47m to £8.65m after a tax charge increased by nearly £3 to £12.68m.

	1979 £000	1978 £000
Turnover	184,436	156,799
Earnings from trading	16,636	11,163
Assoc. companies	1,624	1,801
Investment income	3,072	2,497
Pre-tax profit	21,332	15,461
Tax	12,682	7,990
Net profits	8,650	7,471
Extraordinary credit	412	†1 117
To minorities	232	213
Leaving	8,830	6,141
Dividends	1,972	1,769

† Debit.

There is an improvement at the "extraordinary" level. This time, despite the Evening News costs, there is an extraordinary reased by nearly £5m to £12.68m. £1.12m debt.

The Daily Mail improved its earnings. Its circulation continued to increase and advertisement revenue reached record levels.

Provincial newspapers continued to trade successfully partly as a result of the large capital expenditure programme on modernisation began some years ago. This is now improving the ability of many of provincial newspapers to meet the requirements of readers and advertisers.

The group's UK magazines have continued to make an increased contribution to earnings.

The diversified interests have again achieved increased earnings.

Following a two-for-one scrip issue by Consolidated Bathurst, the overall rate of distribution was increased but the current fall in the Canadian dollar has partly offset the value of this improvement.

Southern Television's results to October 1978 improved by 23 per cent on the previous year and dividends received increased proportionately.

*North Sea oil production from the Argyll Field has been main-*tained at a slightly higher level than in the previous year, and has made a satisfactory contribution to earnings. The estimates of total recoverable reserves from this field have been increased, and earnings in the current year have been improved by the resultant lower depreciation charge—down from £1.87m to £791,000.

A second interim dividend of 4.45p per 25p share lifts the total from 5.811p to 6.484p. Stated earnings have risen from 23.9p to 27.7p.

The group is to change its accounting year to end on September 30, 1979. The second half pre-tax profits to give a direct comparison with the new half-year are shown at £10.74m, against 7.3m.

● **comment**

Three points emerge from a better than expected performance from Associated Newspapers. First, the axe is swinging with less perilous proximity to the Evening News and the group is projecting a future, if undefined, return to profitability. In the light of the advertising revenue buoyancy enjoyed by the national stablemate and the provincial newspaper string, that begins to look feasible after extensive reorganisation. Secondly, after a £670,000 loss on oil operations last time, the Argyll Field is making a positive contribution once again and the outlook must be bright, notwithstanding a *higher rate of PRT.* Lastly, the group is now talking of fresh diversification which would be *supported by cash flow now* running at an annual rate in excess of £12m. The shares climbed 2p to 228p yesterday where a p/e of jus tover 8 still offers reasonable buying opportunities which would be enhanced if and when the Evening News cash drain is properly staunched.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Allied Breweries	1.83	Aug. 3	2.63	6.22‡	3.93
Archimedes Inv. int.	2p	—	2	—	5.7
Assoc. Newspaper sec. int.	4.45	Aug. 10	3.96	6.48§	5.81
Bankers' Inv.	1.36	Aug. 31	1.05	2.88	2.55
D. Mail & Gen. 2nd int.	9.37‖	Aug. 30	8.39	14.27‖	12.91
Doornfontein	40¶	Aug. 7	30	60	50
E. Driefontein	55¶	Aug. 7	40	—	115
GEI int.	3.03	July 25	2.69	4.63	4.15
Hill Samuel	3.49	Aug. 6	3.22	5.32	4.9
Johnson, Matthey	5.9	—	3.05*	8.5	5.49*
Kloof	80¶	Aug. 7	25	110	40
Libanon	100¶	Aug. 7	60	150	100
Thos. Locker	0.71	July 20	0.63	0.96	0.87
The Times Veneer	0.23	July 26	0.2	0.45	0.41
Venterspost	30¶	Aug. 7	20	45	25
W. Driefontein	415¶	Aug. 7	230	615	385

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For 17 months. § For 12 months in current 18 months period. ¶ South African cents. ‖ For 18 months.

Daily Mail & General ahead

Daily Mail and General Trust, which has a substantial but no longer controlling interest in Associated Newspapers Group, announces income of £3.17m for the year to March 31 1979 against £2.89m, and revenue after tax of £2.03m compared with £1.82m.

The current financial period is for the 18 months to end September 30 1979.

A second interim dividend of 9.368p (8.389p) net per 50p share for the 18 months takes the total to 14.272p (12.908p), costing £1.48m (£1.33m).

Proportion of profits attributable to the company's interest in Associated Newspapers for the 12 months, after tax and extraordinary items, was £4.41m.

GEI expands 11% to £6.2m

DESPITE THE bad weather and lorry drivers' strike, pre-tax profits of **GEI International**, specialist engineering concern, advanced 11 per cent to a record £6.16m for the year ended March 31, 1979, against a previous £5.55m. Turnover was only marginally ahead at £51.34m compared with £50.48m.

Mr. Thomas Kenny, chairman, *states that results, although* ahead of budgets, would have been better but for these events. He says the cost was serious. And some customers and suppliers suffered from additional labour problems.

Profit margins improved from 11 per cent to 12 per cent, reflecting the benefits of a sustained programme over the years of capital investment in new plant and machinery.

At the interim stage profits had risen from £2.07m to £2.32m on turnover of £24.16m (£22.74m).

Tax for the full period took £3.07m (£2.83m) after which earnings are shown as £3.09m (£2.72m) or 11.8p (10.6p) basic per 20p share, 11p (9.8p) fully diluted.

Tax comprised of amount payable £2.4m (£1.63m) and £670,002 (£1.2m) attributable to stock relief and capital expendi*ture transferred to revenue reserves.*

The dividend is stepped up to 4.628p (4.152p) net with a final payment of 3.028p.

● **comment**

It is difficult to quantify the cost to GEI of the adverse winter weather and the lorry drivers' strike but on the basis of forecasts made at the interim stage, it looks as if they could have clipped up to £400,000 *from* the full-year results. In the event, profits are 11 per cent higher—a creditable result given the group's exposure to a dull engineering sector but it does represent the lowest rate of growth for five years. All divisions made progress, with packaging making the most headway. GEI has a slight advantage over other engineering companies in that it has a useful presence in areas of high technology, although the company has been hampered by a shortage of skilled labour. To solve the problem, the company is planning to spend roughly £2.5m on specialised machinery in the current year; this still leaves plenty of cash for possible acquisitions. With current orders roughly a fifth higher than the previous year, prospects in the current year look somewhat brighter. At 92p the shares are on a p/e of just over 8 while the yield is 7.8 per cent.

Gen. Engineering calls in receiver after bid fails

BY TIM DICKSON

General Engineering Com-y (Radcliffe) has called in rivers less than a week r an agreed rescue bid by ior Engineering unexpectedly ed.

he decision was taken by the ctors of General Engineer- who asked their bankers, liams and Glyn's, to make appointment.

he future of General Engi-ring, which employs 750 ple at Radcliffe, near Man-ster, and West Bromwich, lies in the hands of the t receivers and managers—Hubert Thompson and Mr. n Benzie, both of accountants t Marwick Mitchell and Co.

r. Thompson said yesterday would consider all possibili- and stressed that he would e every effort to keep the ness going. "Obviously one g we will be doing is to look ind for more companies rested in making a bid."

he directors of General ineering will continue to take onsibility for the day-to-day ning of the company.

was Senior's announcement Friday that it was pulling of an agreed £950,000 take- which led directly to yester-s development. The bid was ely regarded as a rescue age for General Engineering ch, at the end of 1978, had borrowings of £4.46m, nst net tangible assets of £2.16m.

xplaining its decision, Senior said it had not been satisfied with a further investigation, adding that sufficient acceptances of the offer had not in any case been received by the closing date.

General Engineering's losses before tax for 1978 amounted to £1.33m (loss of £0.51m). But announcing these results last month the directors said they believed the product range and manufacturing facilities of the company to be sound. What was needed was a substantial amount of additional capital.

General Engineering's shares were suspended on Friday at 7½p.

'Times' Veneer down in second half

Despite lower second-half profits, The Times Veneer Company finished 1978 with the taxable surplus up from £158,742 to £197,255. Sales were higher at £5.29m, against £4.62m.

At midway, profits of the manufacturer and merchant of timber, veneers and processed wood products reached £108,882 (£55,080).

Tax for the year took £36,221, compared with a £3,249 credit last time. Earnings per 5p share are shown virtually unchanged at 2.29p (2.3p). The net final dividend of 0.225p lifts the total to 0.445p (0.41p)—the joint managing directors and their families have waived entitlement to net dividends totalling £5,443 (£5,670).

£0.14m. fall for Thos. Locker

AS FORESHADOWED at midway, second half profits of Thomas Locker (Holdings) exceeded those of the first six months, but pre-tax surplus for the year ended March 31, 1979, was down from a peak of £2.37m to £2.23m. Turnover of the screening and filtration engineer was better at £18.8m against £17.25m.

In November, the directors explained that the fall in first-half profits from £1.1m to £1.03m had resulted from lower returns from the group's overseas operations.

Tax for the year takes £1.04m against £1.16m, and after minorities and extraordinary items, attributable profits were up by £20,000 to £1.1m. SSAP 15 has been applied and comparatives are restated.

Earnings per 5p share decreased slightly from 2.88p to 2.82p, while a net final dividend of 0.7125p (0.625p) raises total payments from 0.87325p to 0.9625p.

A revaluation of the group's properties, plant and machinery as at March 31, 1979, produced a surplus of £2.36m which has been added to reserves.

Ward White sees further progress

Further progress this year was anticipated by Mr. George McWatters, the chairman of Ward White Group, footwear manufacturer and electrical and mechanical engineer.

The group's factories generally had full order books, the safety products division showed further expansion and retail activity showed improvement, he told members at the annual meeting.

Although production performance was affected by the bad weather in the early part of this year, profits were similar to the record levels of 1978. With a full contribution from Betts and Broughton, acquired in May, 1978, pre-tax profits for the first four months of 1979 showed an encouraging advance over the same period last year, the chairman reported.

The commercial position of the group had been strengthened by an agreement with Blue Bell Inc. the U.S. manufacturer of Wrangler jeans, he added. This was for the development and marketing in the UK and Eire of a range of casual footwear to be sold under the Wrangler name.

The group had plans for the development of its retail activities. These were trading buoyantly at the moment and it was believed that plans for further investment would be of future benefit to the group.

Over £1m. seen by Crystalate

A TAXABLE surplus of £398,000 for the six months to March 31, 1979, against £257,000 is announced by Crystalate (Holdings) and profits for the full year are expected to be in excess of £1m. Profit for 1977-78 was a record £617,000.

External sales rose from £3.47m to £6.67m. Mr. John Leworthy, chairman, says results include contributions from Greendale Electronics and Osborne Electronics, both of which were acquired since March 31.

Tax for the half year takes £236,000 against £122,000 leaving a net profit ahead at £162,000 compared with £135,000.

On increased capital, earnings per 5p share are given as down from 1.44p to 1.18p.

Mr. Leworthy explains that results would have been better but for a loss of some £200,000 attributed to the Greenwich plastic housewares and containers factory of Ebonestos Industries.

The major causes of the loss were the sharp increases in material prices and reduced productivity. The factory is to be closed and assets disposed of.

Ebonestos is transferring several machines to the nearby New Cross factory achieving its main original objective of acquiring an injection moulding capacity

Bertrams

For the first time since 1975, Bertrams, paper and board machinery manufacturer, reports a profit at the halfway stage. For the April 1, 1979, half-year a pre-tax surplus of £78,024 was achieved, compared with a £74,997 loss last time.

In the previous full year, the company returned to profitability in the second six months to finish with a pre-tax profit of £67,128 (£239,640 loss).

Turnover for the period now reported was well up from £994,767 to £1,564,395. A net interim dividend of 1p per 25p share has already been announced for the current year—no other payments have been made since 1975.

C. E. Heath keeps open mind on U.S. link

REFERRING to the profit-pooling arrangements between major U.S. and UK insurance brokers, Mr. F. R. D. Holland, chairman of **C. E. Heath and Co**, says the group has been watching these developments very closely *and has been considering its own* position.

In his annual statement, the chairman says: "Traditionally we have maintained a position in the U.S. market of an independent broker prepared and able to deal with everyone."

There could be a positive advantages to maintain independence, but at this stage, "we are keeping an open mind in order that we might respond appropriately to market developments."

On prospects, the chairman believes the company will continue to make significant progress in these difficult times.

It is proposed to increase borrowing powers from two to three times the total of the issued share capital and reserves.

The profit and loss account (in £000s) shows broking profit at £9.870 (£9.446), which is split as to brokerage £20.119 (£18.508), investment income and interest £2.178 (£1.607), and expenses £12.427 (£10.669).

Underwriting profit totalled £5,102 (£4,599), and is split as to to agency fees and overiding commission £4,546 (£2,494), underwriting profit net of expenses £1,793 (£1,584), profit commission £519 (nil), investment income and interest £2,037 (£1,944) and agency expenses net of recoveries £3,793 (£1,703).

Other income amounted to £1,079 (£879), and operating profit reached £16,051 (£14,924). After tax of £6,990 (£6,730), *exchange loss on cosolidation of* £239 (£243), and minorities of £37 (£10), the net available balance emerged at £8,765 (*£7,941*). *Dividends absorbed* £1,637 (£1,401), leaving retained earnings at £7,128 (£6,540).

The chairman says brokerage *income increased 9 per cent. The* strengthening of sterling against the U.S. dollar and the devaluation of the Australian dollar reduced brokerage income by over £1m. But for currency fluctuations, brokerage income earned by London companies would have increased by some 16 per cent, he adds.

The chairman looks forward to an increase in group profits from the Lloyd's underwriting agency operation.

Meeting, 14 St. Mary Axe, EC, July 15 at noon.

Cambrian & General

Revenue of Cambrian and General Securities, investment trust, came out higher at *£94,396* for the six months to March 31, 1979 against £67,876 after tax, expenses and interest. Gross income was ahead from £161,367 to £217,861.

As already known the interim dividend is increased to 1.6p (1.5p) net per 25p share; last year's final was 2.375p.

Investments, including *deposits, amounted to £6.59m* (£5.44m) at March 31, and net asset value per share is given as 120.7p (108.9p).

Deductions of *£80.151 (£48,532)* from gross income included bank and dollar loan interest £60,651 (£33,734), and tax took £43,314, against £44,959.

Milletts in franchise deal for restaurant

In line with its aim to extend usage of spare space in its larger *shops* **Milletts Leisure Shops** has entered a franchise arrangement with a Cheshire catering group to open a restaurant on the first floor of its spacious Chester store.

As known Milletts went public in December last year and ended the 12 months to January 29, 1979, by beating its forecast with pre-tax profit almost doubled from £677,000 to £1.26m on sales, excluding VAT of £12.03m (£9.57m).

At year end cash was up at *£630,000 (£12,000)* and a £198,000 *bank overdraft* had been eliminated. Capital commitments amounted to £677,000 (£211,000) of which £162,000 (£163,000) had *been authorised but not* contracted.

Meeting, Abercorn Rooms, EC, on July 11 at noon.

46 companies wound-up

Orders for the compulsory winding up of 46 companies were *made by Mr. Justice Slade in the* High Court yesterday.

They were: Fullmead, Ivago Import Export (London), Vincent *Finn* and Son, *J. & P. Pigs* (Suffolk) and Segall Development Company.

Bergen Foods, Bulltsound, J. and R. Wholesale and Retail Butchers (Enfield), George Cross (Haulage and Demolition) and Camill Joinery Company.

Strollenger, Clark and Hartwell, Springall & Allen, Nene Builders, Simpson Elliott and Polvtnin.

Bailey & Co. (Builders), Wasser, Willow Estimating & Building Services, P. Boyle & Co. and Omel Properties.

Micklegate Business Services, Anglo Euro Entertainments, Sevenoaks Wholesale Grocers, Rulefarm and Atex Building Products.

F & B Aitkinson (Conversions), Cadmore Builders, Legram Construction Company, Michael Gallen (Civil Engineering) and Blackwell Plumbing & Heating Engineers.

Finality Designs, Hulu (Plumbing & Heating), Rafapar Transport, Park Avenue Mail Order and Kanape.

Drake Tyre & Rubber Company R. Jones (Joiners), Kerr & Kerr Industrial-Domestic Heating Engineers, SJW Construction and Marshgate Builders.

White Post Garages, R. Guilford, Cowell Cabinets, Dawbourne *(Bracknell)* and *Malcolm* F. Barraclough.

Marlborough Property optimistic

A *considerable degree* of optimism for the future of **Marlborough Property Holdings** is expressed by Mr. M. M. Lange, *the chairman, in his annual* statement.

This is based on the increasing level of rental income anticipated and the security provided by a development programme combining pre-letting with forward commitments to purchase by institutional buyers at current market rates, he explains.

The directors intend to continue their balanced policy of building up the company's investment portfolio alongside its development trading activities. The former is beginning to have a substantial effect and the chairman predicts with some confidence that rental income will exceed £270,000 for 1979.

All properties within the investment portfolio are subject to five or seven yearly reviews thus assuring growth in rental income, while the majority of tenants are well-known public or *international companies*,' Mr. Lange adds.

The group was formed from a merger of Chown Securities and *Marlborough Property Securities* last year. Pre-tax profits of the enlarged group for the nine months to end 1978 were *£827,000*, which exceeded by £27,000 the forecast made at the time of the merger. Earnings per 5p share are shown as 1.99p and a dividend of 0.2814p is to be paid—as reported May 12.

Meeting, Howard Hotel, WC, July 2, 11.30 am.

SCAMPI net assets jump

Another successful year for **Scottish Amicable Pensions Investments** (SCAMPI) is reported by Mr. John Spens, the chairman. Net assets in 1978 rose by one third from £49.5m to £65.7m, and premiums income by one-half from £9.2m to £14.3m. There were 20 new clients using the fund during the year bringing the number of pension funds which invest some or all of their assets in SCAMPI to 53.

SCAMPI is the managed pension fund subsidiary of the Scottish Amicable Life Assurance Society, the Glasgow-based mutual life company.

Mr. Spens reports that during 1978, the company improved its conditions of withdrawing cash sums from the fund. Because of the large positive cash flow, trustees can now request up to £50,000 per month at the underlying unit value instead of the selling price. The company has increased its charges for investment only services to £60 per month, but has introduced rebates for the larger funds.

At the end of 1978, the portfolio was split—35 per cent fixed interest, 46 per cent UK equities, 6 per cent overseas equities, and 11 per cent property. These proportions have not changed significantly during the first four months of 1979. The equity content, both UK and *overseas has* been increased and the property content slightly lowered in percentage terms.

First quarter upset for Twinlock

Continued unofficial action has had a significant effect on profitability at **Twinlock** during the first quarter of the current year, Mr. A. K. L. Stephenson, chairman, tells members.

But, he says, it is hoped to recover, in the rest of the year, much of the ground lost.

The directors are investing in both plant and market research *to ensure continuing growth*, he adds.

As reported on June 1, second half profits of £1m (£0.56m) *boosted the taxable surplus for* the March 2, 1979 year to a record £1.41m (£0.64m).

The company, which manufac*tures loose leaf equipment*, systems, filing products etc., resumed dividend payments after a two year absence with a maximum permitted 0.5628p net, as forecast.

At balance date fixed assets stood at £6.6m (£5.74m) and net current assets were well up at £6.32m against £3.44m. Working capital showed an increase of £2.39m (£57,000).

COMPANY NOTICES

GOLD FIELDS GROUP
DECLARATION OF DIVIDENDS

The following dividends have been declared in South African currency, payable to members registered in the books of the companies concerned at the close of business on 29 June 1979:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share cents
Interim Dividend		
East Driefontein Gold Mining Company Limited	12	55
Final Dividends		
Doornfontein Gold Mining Company Limited	45	40
Kloof Gold Mining Company Limited	19	80
Libanon Gold Mining Company Limited	57	100
Venterspost Gold Mining Company Limited	78	30
West Driefontein Gold Mining Company Limited	53	415

Dividend warrants will be posted on or about 6 August 1979.

Vlakfontein Gold Mining Company Limited. No dividend has been declared by this company. At the adjourned annual general meeting held on 19 April 1979 a special resolution was passed providing for the reduction in the authorised and issued capital of the company from 90 cents per share to 80 cents per share and the repayment of capital (No. 2) of 10 cents per share to members registered in the books of the company at the close of business on 29 June 1979. Subject to the reduction being confirmed by the Supreme Court of South Africa, it is the intention that cheques/warrants in respect of this repayment of capital will be posted on or about 6 August 1979 to members at their registered addresses or to such other addresses as may be advised to the company by 29 June 1979. Existing dividend mandates will not apply in respect of this repayment.

Standard conditions relating to the payment of dividends, and the conditions relating to the repayment of capital by Vlakfontein Gold Mining Company Limited, are obtainable at the share transfer offices and London office of the companies.

Requests for payment of the dividends or the repayment of capital in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 29 June 1979 in accordance with the abovementioned conditions.

The registers of members of all the above companies will be closed from 30 June to 6 July 1979, inclusive

London Office:
49 Moorgate,
London EC2R 6BQ.

United Kingdom Registrars:
Close Registrars Limited,
803 High Road,
Leyton,
London E10 7AA.
12 June 1979.

By order of the boards,
C. E. WENNER,
London Secretary

RAND MINES LIMITED
(Incorporated in the Republic of South Africa)

A Member of the Barlow Rand Group

DIVIDEND DECLARATIONS

NOTICE IS HEREBY GIVEN that dividends have been declared payable to members registered in the books of the undermentioned companies at the close of business on 29th June, 1979 and to persons presenting the appropriate coupons detached from share warrants to bearer. The dividends on share warrants to bearer will be paid in terms of a further notice to be published on or about 6th July, 1979.

Name of Company (Each Incorporated in the Republic of South Africa)	Dividend Number	Coupon Number	South African Currency—cents per share
Blyvooruitzicht Gold Mining Company, Limited	(Final) 67	—	65
Durban Roodepoort Deep, Limited	(Interim) 111	111	40
East Rand Proprietary Mines, Limited	(Interim) 116	116	10

The register of members of each company will be closed from 30th June to 8th July, 1979, inclusive, and dividend warrants will be posted on or about 2nd August, 1979.

The dividends are declared in South African currency and the rate of exchange at which they will be converted into United Kingdom currency for payment by the United Kingdom Registrars and Transfer Agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 30th June, 1979 on which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividends.

The full conditions of payment of these dividends may be inspected at or obtained from the offices of the companies in Johannesburg or in the United Kingdom.

By order of the Boards,
V. M. MURTON
Administrative Manager and Secretary

Registered Office:
5th Floor,
Fox Street,
Johannesburg 2001,
(P.O. Box 62370,
Marshalltown 2107).

Offices in the United Kingdom:
Charter Consolidated Limited,
40 Holborn Viaduct,
London EC1P 1AJ.

United Kingdom Registrars and Transfer Agents:
Charter Consolidated Limited,
P.O. Box 102, Charter House,
Park Street, Ashford, Kent TN24 8EQ.

11th June 1979.

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LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1976
BARON MOVING COMPANY LIMITED
NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of
LEONARD CURTIS & CO.,
situated at
3/4 Bentinck Street,
London W1A 3BA,
on Wednesday, the 20th day of June 1979, at 12 o'clock midday, for the purposes mentioned in sections 294 and 295 of the said Act.
Dated this 4th day of June 1979.
By Order of the Board,
A. SAN, Director.

IN THE MATTER OF
EMBER LEISURE GROUP OF COMPANIES LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948
NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 13th day of July, 1979, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned
LEONARD CYRIL CURTIS, FCA,
of 3/4 Bentinck Street,
London W1A 3BA,
the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 1st day of June, 1979.
LEONARD CYRIL CURTIS,
Liquidator.

IN THE MATTER OF
EMBER RECORDS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948
NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 13th day of July, 1979, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned
LEONARD CYRIL CURTIS, FCA,
of 3/4 Bentinck Street,
London W1A 3BA,
the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 1st day of June, 1979.
LEONARD CYRIL CURTIS,
Liquidator.

IN THE MATTER OF
EOCAMPOP PRODUCTS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948
NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 13th day of July, 1979, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned
LEONARD CYRIL CURTIS, FCA,
of 3/4 Bentinck Street,
London W1A 3BA,
the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 1st day of June 1979.
LEONARD CYRIL CURTIS,
Liquidator.

THE COMPANIES ACT, 1948
In the Matter of DERINGER INVESTMENTS (LONDON) LIMITED, Property Dealers. Winding-up Order made 14th May 1979. Date and place of first meetings: Creditors 26th June 1979, at Room G20, Atlantic House, Holborn Viaduct, London EC1N 2HD, at 10.00 o'clock; Contributories on the same day and at the same place at 10.30 o'clock.
G. B. GILLVRAY,
Official Receiver and
Provisional Liquidator.

PUBLIC NOTICES

HERTSMERE BOROUGH COUNCIL
£600,000 Bills issued on 13th June 1979, at 11.5625% to mature on 12th September, 1979. Total applications £4,200,000. Total outstanding £600,000.

PERSONAL

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... interest rate applicable to the ... loan in respect of six months ... of 183 days commencing 11 ... 1979 has been fixed at ...
... The Fiscal Agent
Banque de Paris et des Pays-Bas
pour le Grand-Duché de Luxembourg

BANK HANDLOWY W WARSZAWIE SA
US$30,000,000 Floating Rate Notes 1976/81
... rate of interest applicable ... the six months period beginning on 12th June 1979 and set ... the reference agent is ... annually.

UNION DE BANQUES ARABES ET FRANCAISES
U.B.A.F.
... FLOATING RATE NOTES ...
... CREDIT LYONNAIS LUXEMBOURG

ANGOSTURA BITTERS
(J. G. B. Siegert & Sons) Limited
(Incorporated in Trinidad W.I.)
...
A. A. HODGER, Transfer Officer.
... Imperial Bank of Commerce, ... London EC2N 5NN.

BRADLOW'S STORES LIMITED
...
GWENT ENTERPRISES LTD.
(UK Registrars)
...
MIDTKRAFT ELECTRICITY
...
N. M. ROTHSCHILD & SONS LIMITED
...
... CENTRAL RAILWAY COMPANY
... FIRST MORTGAGE DEBENTURE STOCK
...
Assistant Secretary.
... Finsbury Square, London EC2A 1DD.
June 11, 1979.

BIDS and DEALS

Dobson calls off takeover talks with Mining Supplies

Shares in Mining Supplies dropped 7p to 95p yesterday as Dobson Park Industries called off takeover talks because it had not been possible to "reach a satisfactory basis for a merger."

Dobson is known to have been keen to exploit the export opportunities offered by a "long wall" mining equipment package of an enlarged group, but it became clear the negotiations foundered on the intended structure of the combined companies. A spokesman for Mining Supplies' advisors, Singer and Friedlander, pointed out that the consideration had not been discussed. He stressed that he knew of no other potential bids for Mining Supplies.

Mr. Arthur Snipe, chairman of Mining Supplies, had revealed that he was talking to other parties interested in making an offer before and during the Dobson Park discussions. The shares are still 10p above the price before Dobson Park's approach was announced.

Dowty Group, strongly tipped to make an offer, again denied it had any intention of approaching Mining Supplies, even in Dobson Park's absence. Babcock International, also thought to be watching events carefully, revealed that Mining Supplies is a major supplier to its Huwood-Irwin subsidiary in the important U.S. market but added that talks on closer collaboration had been dropped.

LONRHO/SUITS

Lonrho announces that its offer for the capital of Scottish and Universal Investment Trust is now unconditional in all respects and that the offer remains open until further notice.

Acceptances of the offer have now been received in respect of 20.43m ordinary shares and the same number of deferred shares of SUITS which, together with the 9.09m ordinary shares and 9,094,548 deferred already held by Lonrho, represents 94.9 per cent of each class of issued shares of SUITS.

Mr. Hugh Laughland, chief executive of Scottish and Universal Investments, the holding company which was acquired by Lonrho recently in a hard fought bid, has resigned from the group with effect from June 30.

Two other directors have also resigned with immediate effect. They are Mr. Frederick Butcher and Mr. John Anderson.

Mr. Anderson and Mr. Laughland resisted the offer by Lonrho and canvassed shareholders' support even though other members of the SUITS Board, including the group's chairman Sir Hugh Fraser, had accepted the offer.

Bestobell rejects BTR approach

BESTOBELL, the fluid engineering and insulation company has rejected takeover approaches from BTR, the fast growing rubber, plastic and engineering group.

Last week BTR announced its intention to make a £26.3m bid for Bestobell, which would value each Bestobell share at 200p.

Writing to shareholders yesterday Mr. Sandy Marshall, the former P and O managing director recently appointed chairman at Bestobell, told shareholders that their Board had "declined the invitation to engage in merger discussions."

Mr. Marshall said there were a number of "apparent similarities" between the company "but on a closer investigation these are seen to be superficial." He added: "It is our view that there are no significant commercial advantages for Bestobell in merging its interest with those of BTR."

Mr. Marshall said plans were already under way to secure the maximum return from the business areas in which Bestobell had established a well proven, profitable role and a strong market position. "At the same time we are developing new activities where there is market opportunity for the future."

BTR has apparently been interested in Bestobell for some time and has already said the bid was prompted by the good fit it envisaged between the products and geographical spread of the two companies.

Last night Mr. Owen Green, the managing director of BTR, said he was surprised by Bestobell's reaction—he did not agree that the similarities were only superficial. BTR "will now examine the situation in the light of Bestobell's statement."

Bestobell's shares closed 1p lower at 207p while BTR was unchanged at 328p.

Cray sells 75% of pump subsidiary

CRAY ELECTRONICS, the specialised mechanical, electric and electronic engineering concern, has sold 75 per cent of the share capital of its subsidiary J. and S. Pumps, of Horley, to VMF-Stork in a cash deal worth £500,000.

VMF-Stork, a Dutch engineering concern experienced in pump manufacture, has an international marketing capability.

J. and S. Pumps designs and makes centrifugal pumps for the chemical and petrochemical industries.

Cray and Stork said yesterday the new partnership will help develop the pump business.

Cray will receive the dividend declared by J. and S. Pumps for the year ending April 28, 1979, amounting to £121,000 net.

VMF-Stork has agreed to provide further working capital to J. and S. Pumps.

J. and S. Pumps made taxable profits of £207,000 on £1.18m turnover for the year to April 30, 1978. For the year ended April 28, 1979, it turned in pre-tax profits of £217,000 on turnover of £1.21m, and net tangible assets (excluding the dividend) of £66,000.

Cray has an option to sell its 25 per cent stake in J. and S. Pumps to VMF-Stork at a fixed price of £202,000 cash during a certain period in both 1981 and 1982.

The sale proceeds will be used initially to reduce the Cray group's borrowings and they are expected to help expand the group's remaining businesses.

Coats Patons in German purchase

Coats Patons of Glasgow and Gütermann and Company of Gutach, West Germany, have informed the cartel office in West Berlin of their intention to merge.

Under West German cartel law the purchase of more than 25 per cent of a West German company is subject to the approval of the cartel office.

Gütermann has a strong position in sales of sewing thread on the West German market, which raises the question for the cartel office of whether a "market dominating position" would result from a Coats Patons takeover.

Twice before, the cartel office has ruled that British companies could not take controlling interest in West German firms. Guest Keen and Nettlefolds was prevented from taking a majority stake in Fichtel and Sachs.

However, in the most recent case of British Petroleum seeking to take over the petrol stations and a 25 per cent share of Ruhrgas from Veba, the West German energy group, the Bonn economics minister Count Otto Lambsdorff approved the deal over the cartel office's objections.

Coats Patons has had a 20 per cent share in Gütermann since the late 1920s and now both companies want to further rationalise production.

The Gütermann group has 3,000 employees in 10 countries of whom 900 are in West Germany. Plants exist in Brazil, Mexico, Spain and Switzerland. Group turnover is estimated at some DM 150m (£37.9m).

AYRSHIRE METAL

Knapdale Nominees has acquired 1,767,257 ordinary shares from the trustee holding of Mr. William Simon Wilson, chairman. Knapdale has acquired a further 7,500 ordinary shares and now holds 2,064,213 Ayrshire Metal Products shares.

SHARE STAKES

Control Securities — Imbeka Rotterdam NV has sold its 600,000 ordinary shares to clients of NV Slavenburg's Bank none of whom owns 5 per cent or more of share capital.

Peak Investments — Norten Warburg Carter Breed hold 430,000 shares.

Derby Trust—Cedar Investment Trust is beneficial owner of 150,000 income shares, equivalent to 5.08 per cent of that class.

Levex — Mr. K. Maharajh, director, has sold 44,000 shares, reducing his holding to 100,000 shares.

John Menzies (Holdings) — Mr. I. D. Wilson has an interest as a joint registered holder in holding of 48,000 shares. He holds the shares as a trustee and has no beneficial interest.

Spirax Sarco Engineering—Mr. S. M. Haines, director, sold 25,000 ordinary shares on June 5.

W. H. Smith and Son (Holdings) — Viscount Hambleden, director, has reduced his holding of the company's "B" ordinary shares by 80,000.

Town Centre Securities—Mr. I. A. Ziff, chairman, has reduced his non-beneficial holding by 20,000 shares.

McKechnie Brothers—Kuwait Investment office has bought further shares, making total interest of 2,370,000 shares, 5.5 per cent.

Somportex—Mr. S. Waissel has increased his stake to 64,750 shares, 9.25 per cent.

KWIK FIT

Kwik-Fit (Tyres and Exhausts) Holdings announces that acceptances of the offer for Coronb Inter City Properties received have been for 1,330,597 deferred shares and 1,330,597 ordinary shares (99.6 per cent). The offer is unconditional and remains open for a further 14 days but the loan stock and cash offers are no longer available.

The maximum amount of £1,064,400 of 8 per cent conv. loan stock has been alloted. Acceptances of the cash offer were received in respect of 6,890,829 ordinary shares of Kwik-Fit and of these 1,503,455 have been applied for by existing holders of Kwik-Fit.

Advance for Bankers' Investment

Net revenue of Bankers' Investment Trust rose from £1.05m to £1.18m in the year to April 30, 1979. Net asset value per 25p share is well ahead from 74p to 87.7p.

The final dividend of 1.375p net lifts the total from 2.55p to 2.875p and the Board is forecasting three interims for the current year of 0.55p, against 0.5p, payable in November, February and May.

Gross income for the year was £2.01m, compared with £1.82m, and tax takes £680,345 (£624,056).

It is proposed to increase borrowing powers, and as compensation for preference holders, to raise the dividend on their shares from 3.15 per cent to 3.5 per cent.

MINING NEWS

West Driefontein final beats the forecasts

BY KENNETH MARSTON, MINING EDITOR

WHILE some mixed feelings will be aroused by the eagerly awaited June dividends announced by the gold mines in the **Consolidated Gold Fields group**, there must be general agreement that the final declared by **West Driefontein** is outstanding. Above pretty well all expectations, it is 415 cents (238p) and makes a total for the year to June 30 of 615 cents against 385 cents for the previous year.

All the payments are comfortably higher than those of a year ago, but there will be disappointment with the size of some of the increases. A good deal better payment had been expected from **Venterspost**, for example, than the final now declared of 30 cents which makes a 1978-79 total of 45 cents against 25 cents for the previous year.

	June, 1979 cents	Dec., 1978 cents	June, 1978 cents	Dec., 1977 cents
Doornfontein	40	*30	30	*20
East Drie.	*55	73	*40	43
Kloof	80	*30	35	*15
Libanon	100	*50	60	*40
Venterspost	30	*15	20	*8
Vlakfontein	Nil	18	Nil	15
W. Driefntn.	415	*200	250	*135

More had been expected from **Doornfontein** which is paying a final of 40 cents to make a total of 60 cents against 50 cents. The interim for 1979 of 55 cents declared by **East Driefontein** is also below expectations; last year's total was made up of an interim of 40 cents and a final of 75 cents.

On the other hand, **Kloof** has beaten expectations with a final of 80 cents to make 110 cents against only 40 cents and **Libanon** has matched most hopes with a final of 100 cents which makes a year's total of 150 cents against 100 cents.

No dividend is being declared by **Vlakfontein** which, instead, recently decided to make a capital repayment of 10 cents to holders registered on June 29 next. The company, which now mills ore from surface dumps, paid a single dividend for 1978 of 10 cents in December which followed a capital repayment of 10 cents.

BOARD MEETINGS

TODAY

Interims—Castlefield (Klang) Rubber Estate, CompAir, Killinghall (Rubber) Development Syndicate, Saatchi and Saatchi, Scottish American Investment, United States and General Trust, Westland Aircraft.

Finals—Alliance Investment Trust, Bell and Sime, Continuous Stationary, Country and New Town Properties, Edbro, Electra Investment Trust, International Timber, News International, Rowlinson Constructions, J. W. Wassall, Wedgwood, West Bromwich Spring.

FUTURE DATES

Interims—	
Duple International	June 20
First Union General Inv. Trust	June 15
Imperial Group	July 12
Nash (J. F.) Securities	June 29
Finals—	
Amber Industrial	June 14
British and Cmnwth. Shipping	June 14
Caledonia Investments	June 14
Halma	June 28
Heywood Williams	July 2
Kleen-E-Ze	June 25
Latham (James)	July 11
London and Assoc. Inv. Trust	June 21
Moran (Christopher)	June 20
Norcros	June 22

Provincial stake in Cluff Lake uranium

THE **Saskatchewan Mining Development Corporation**, the Canadian provincial agency, is to take a stake of between 20 and 30 per cent in Amok, the French consortium developing the Cluff Lake uranium deposit.

Negotiations on the method and form of the association are taking place, according to Mokta, which holds 25 per cent of the venture.

Mokta noted that, since the middle of last year, Amok had been making the necessary arrangements to bring Cluff Lake to production early in 1981. Investment this year and in 1980 will be C$110m (£45.2m) and by the end of next year C$160m will have been spent on the deposit.

Amok is one of six uranium companies in which Mokta is engaged. The group, whose activities also span iron, non-ferrous metals and manganese, last year made a net profit of FFrs.27.2m (£2.97m) and paid a dividend of FFrs.15.0 (1.64p). Mokta is part of the **Imetal** group, other units of which did *not have such a happy year*.

Pennaroya, the lead and zinc group, nursing a loss of FFrs38.2m (£4.17m) for 1978, said in its annual report that it envisaged further price rises for zinc but that it did not exclude the possibility of the industry remaining unprofitable until production over-capacity had been eliminated.

Zinc production held steady last year, but deliveries increased. Lead production was maintained at a high level, Pennaroya stated. However, as a mater of general policy there is to be a further emphasis on speciality and quality production rather than mere volume.

For its part, **Societe Le Nickel**, another member of the Imetal group, has, as the annual report stated "suffered profoundly" from the crisis in the nickel market. Indeed, its 1978 loss was FFrs.512.7m (£56m), excluding provision for the depreciation of stock values.

But Le Nickel now thinks that the crisis has passed the worst and that more normal conditions are returning. But it noted that the speed of the recovery will depend on the level of stocks held by the producers.

In fact, recent price rises from *the producers*, led by Le Nickel, suggest that the market has moved very quickly from over-supply to shortages in some areas.

Reduced loss at Kiruna

THE SWEDISH State iron ore mining company, **LKAB** at Kiruna, recorded a pre-tax loss of SKr 129m ($14.2m) on sales of SKr 668m during January-April, compared with a loss of SKr 218m on turnover of SKr 499m for the same period of 1978. Deliveries during the four months totalled 8.2m tonnes, up from 6.5m in January-April last year, reports our Stockholm correspondent.

The increase in deliveries, most noticeable for high-phosphorus ore and pellets, was mainly due to higher steel production in the European Common Market. But because steel consumption has not risen as rapidly it is thought uncertain how long the improved situation will last.

If the general economic picture does not deteriorate in the second half, however, 1979 deliveries are expected to total about 27m tonnes as against 24.5m tonnes for last year.

Last year LKAB recorded a pre-tax loss of SKr 675m on sales of SKr 1.9bn. Its operating loss was SKr 499m. Mr. Sven Johansson, the managing director, said in March that he expected LKAB's operating loss to be some SKr 200m less in 1979 but he now predicts that the reduction will be in the range of SKr 250m.

In its figures for January-April, LKAB has not included a newly-approved Government grant of SKr 200m, designed "to meet financial strains in 1979," but will record it as extraordinary income for the year as a whole. In 1978 the company received a similar grant of SKr 500m.

In addition, the Swedish parliament has approved in principle a special reconstruction loan to LKAB not exceeding SKr 1.1bn, to be drawn during 1979-81.

Australia ends controls on mineral sales

HOPES THAT Australia is moving towards a more pragmatic policy for the development of the country's huge existing and potential mineral wealth comes with the news of a widespread lifting of mineral export controls.

It follows the more flexible approach to uranium mine development: the basic rule that ownership of uranium deposits must be 75 per cent Australian is now being relaxed to allow local ownership to fall to 50 per cent in cases where sufficient local capital cannot be obtained for the higher percentage and where local participants retain policy control.

The Australian Trade and Resources Minister, Mr. Doug Anthony, has announced the removal of a large range of minerals from Federal Government export controls and has issued blanket export approvals for other minerals, effective immediately.

Exporters of the minerals will no longer be required to obtain mineral export permits from his department prior to export, he said in a statement.

Minerals removed from export controls are: natural abrasives including industrial diamonds, antimony ores and concentrates, barytes, beryllium, cadmium and chromium ores and concentrates, clays, felspar, fluorspar, gold ores and concentrates, graphite, granite gypsum.

Limestone, magnesite marble, mica, molybdenum and niobium ores and concentrates, quartz, sand, silver and platinum group ores and concentrates, sulphur, pyrites, talc, tantalum, tellurium and vanadium ores and concentrates, other minor raw and semi-processed minerals.

The blanket export approval covers nickel ores concentrates, matte, speiss and oxide, lead ores concentrates, slags and residues, and bullion, zinc ores concentrates, slags and residues, manganese, tungsten, scheelite, wolfram and bismuth ores and concentrates.

Mr. Anthony said he proposed freely to approve all applications to export mineral sands except where the Federal Government saw environmental objections.

He added that he had reached agreement with the premiers of Queensland and Western Australia. Both premiers had strongly reacted against the guidelines which were introduced last October.

It seems that the major minerals will still be required to follow to some degree the price guidelines which were basically designed to ensure that products were not sold too cheaply. However, such guidelines *previously* cut little ice in a world buyers' market and are now less necessary in view of the general improvement in commodity markets.

CONTRACTS

Offices at Gatwick worth £7.9m.

The British Airports Authority has placed a £7.9m contract with **HIGGS AND HILL BUILDING** for the construction of a new head office on its own land at Gatwick airport. Work will begin this month and the building is due for completion in spring 1981. It will be used to house its 650 headquarters staff currently occupying three different London buildings.

★

WILLIAM PRESS AND SON has been awarded two piping contracts worth *more than £6m* by the Metropolitan Water Division of the Thames Water Authority. The larger contract, valued at £4.7m, is for the Western Areas of Greater London and covers the installation of new water mains and maintenance of existing distribution systems over a three-year period. The second contract, worth £1.4m, calls for the same service in the Southern Area of the Authority's Metropolitan Water Division.

★

A contract worth in excess of £2m for transporting heavy refinery modules and equipment to the *Texaco Gulf consortium's* new cracking unit at Texaco's Pembroke refinery has been won by P and O's special logistics unit, SPU. The contract involves the movement of 11 outsize modules from fabricators' yards in Italy to the Pembroke site, plus four from Willebrook, near Antwerp, one from Grangemouth and three from Hartlepool. The modules vary in sizes from 55 metres long by 8 metres in diameter to 28 metres long by 15.5 metres in diameter.

★

A £1.5m contract for induced and force draught fan motors for the Drax B power station in Selby, Yorkshire, has been won by **LAURENCE SCOTT AND ELECTROMOTORS** of Norwich. The contract was placed via Babcock and Wilcox on behalf of the CEGB.

★

The Dominion Insurance Company has ordered a **SPERRY UNIVAC** 1100/11 system to be installed in the autumn at its Sidcup offices. The system valued at over £1.25m will replace the company's existing ICL 1900 equipment which will be phased out early in 1980.

★

A community water supply contract worth £1.25m for Aramco's oil refinery at Dharan, Saudi Arabia, has been awarded to **SASAKURA ENGINEERING COMPANY**. The plant is expected to be on stream within nine months and will consist of six trains, each producing 120,000 IGPD by reverse osmosis, using 12 Du Pont permeators in each train.

NORTH AMERICAN NEWS

Harnischfeger will study Paccar offer tomorrow

MILWAUKEE—The Board of Harnischfeger Corporation will meet tomorrow to study the proposed tender bid for $20 a share from Paccar, a leading truck and construction equipment producer.

Harnischfeger, which produces mining equipment, also said it has retained First Boston Corporation to review the proposal and asked its shareholders to defer making a decision on whether to accept or reject the proposal until they have received management's recommendation.

The company also noted that under the takeover laws of Wisconsin, the state in which it is based, the earliest date the tender can begin is July 2.

Under the Wisconsin Takeover Law, Harnischfeger said, Paccar's offer cannot be made until it is declared effective by the Wisconsin Securities Commissioner.

Harnischfeger, acting through its board, may request the Commissioner to hold a hearing on the proposal, the company said. If such a hearing is held, the Commissioner might not rule on the effectiveness of the proposal for 30 days from Paccar's filing with the Commissioner yesterday the company said.

It added that under Wisconsin law no recommendation on the proposed bid can be made unless and until the offer has become effective.

Reuter

Gulf and Western boosts profits

BY OUR FINANCIAL STAFF

GULF and Western Industries, the diversified industrial group, has increased net earnings for the first nine months to $166.7m from $122.0m with improved sales for the period at $3.95bn from $3.17bn. The per share earnings have been increased to $2.27 from $1.82.

The company's net profits for the third quarter were slightly under $51m compared with $43.45m for the corresponding period, on sales of $1.30bn. Sales for the third quarter last year stood at $1.09bn. The quarter's earnings per share rose to $0.77 from $0.63.

Gulf and Western expects net earnings for the year ending July 31 to increase to "well in excess of $200m."

Mr. Charles G. Bluhdorn, chairman, and Mr. David N. Judelson, president, noted that the company's previous highest earnings were $190m, reported in 1978.

The company indicated that seven of its eight operating groups reported increases in profits during the third quarter, with Leisure Time leading the operating groups with sharply higher income.

The continuing popularity of Paramount Pictures' films in overseas distribution, played an important role in Leisure Time's profitability.

Ampex expects record earnings

REDWOOD CITY—Ampex Corporation expects to report record revenue and earnings for the 1979 fiscal year and the fourth quarter ended April 28, Mr. Arthur Hausman, the president, disclosed yesterday.

Income in 1979 before extraordinary credit should rise by more than 30 per cent to a level in excess of $17.2m or $1.53 a share compared with $13.2m or $1.18 a share in fiscal 1978. An expected extraordinary gain from tax credits should boost final net earnings to more than $26m or $2.30 a share compared with $19.7m or $1.76 a share last year. Revenue for 1979 should rise by above 15 per cent to more than $375m from $322m last year.

Fourth quarter income before extraordinary credit should be better than $5.2m or 45 cents a share, compared with $4.2m or 37 cents a share.

Greater utilisation of tax benefits in the fourth quarter just ended than in 1978 is expected to boost final net earnings to more than $8.2m or 70 cents a share compared with the 1978 fourth quarter final net of $4.9m or 44 cents a share.

Orders and backlog for 1979 were also exceptionally strong. "I expect we will show that orders exceeded $400m for the year which is a 25 per cent increase over the prior year."

Mr. Vincent Titolo, vice-president and treasurer, said: "We entered fiscal 1980 with the highest year-end backlog ever—up more than a third over last year."

All three of the company's business segments — audio-video equipment, magnetic tapes and data memory devices—are expected to show an improvement in orders, sales and earnings in 1979, Mr. Hausman added. "Order writing in video was phenomenal," he said, but added that the highest percentage of sales growth was noted in the magnetic tape sector.

In all, Mr. Hausman looks for 1980 to be an even better year than 1979.

Given the company's expected results for 1979, Ampex directors will probably consider dividend payment at their June meeting, Mr. Hausman concluded.

AP-DJ

Advance by Worthington Inds.

COLUMBUS—Worthington Industries finished fiscal 1979 with a profit rise of more than 40 per cent and expects a further earnings gain in the current fiscal year even if a modest recession develops, Mr. John H. McConnel, chairman and chief executive, said.

Demand continues strong for the three major products—processed steel, pressure cylinders and pipe fittings. A new business, protective glass, will make a significant contribution to earnings this fiscal year.

Sales for the May 31 fiscal year exceeded $275m, up by about 45 per cent from $1-1.5m in fiscal 1978, he estimated.

He did not make a specific earnings estimate but said analyst projections of about $16m or $1.45 a share "are in the ballpark," but could be a bit conservative. The company has not had time to complete year end calculations. Analyst estimates are 44 per cent higher than the $11.1m or $1.02 a share of fiscal 1978.

Those estimates indicate a slowdown in the rate of sales and profit rise for the fourth quarter, mainly because fourth quarter sales rose more than 25 per cent according to those estimates, sharply less than the 53 per cent rise reported for the nine months ended February 28, while profits rose more than 20 per cent well below the 59 per cent for the nine months.

All share earnings figures are adjusted for a 3-for-2 split paid on May 18. The Board continued the previous 12 cent quarterly dividend on the greater number of shares, lifting the payout by 50 per cent.

AP-DJ

Rate rise may include Three Mile energy cost

HARRISBURG — The Pennsylvania Public Utility Commission (PUC) is recommending that Metropolitan Edison be allowed to recover 80 per cent of the increased energy costs caused by the accident at the Three Mile Island nuclear plant.

The basis for the recommendation is that the total return allowed Metropolitan Edison and Pennsylvania Electric, both units of General Public Utilities Corporation, should be the same as they would have been if the accident had not occurred.

If there had been no accident, the PUC said, revenues for the 18 months beginning July 1 would have been about $500m for Metropolitan and about $690m for Pennsylvania Electric.

Metropolitan is the operator of the Three Mile Island plant.

The PUC noted, however, that the utilities would have been allowed to earn a return on the Three Mile Island plant. The PUC staff has advocated that the value of that plant be excluded from the calculation of base rates.

The PUC recognises that Metropolitan will have to pay high costs for replacing the energy lost due to the accident.

The company said it is paying about $22m a month in replacement costs, about $9m of which is attributable to Metropolitan Edison.

Reuter

Dana records increases in third quarter

By Our Financial Staff

DANA CORPORATION, the motor vehicle components manufacturer, has raised its nine months net earnings to $125.4m from $98.2m. Sales for the period rose to $2.13bn from a corresponding $1.67bn, and earnings per share improved to $3.91 from $3.09.

The company's third quarter sales exceeded $750m compared with $612m, and net earnings for the quarter increased to $45.4m from $39m. Per share earnings for the quarter were $1.41, up from $1.22.

Seagram hit by currency losses

By Our Financial Staff

FOREIGN currency exchange losses have cut into earnings at Seagram, the world's largest distilling group, which was already suffering from tighter profit margins. In the third quarter, net earnings were almost halved, fom $22.3m to $12.2m, with share earnings down from 64 cents to 35 cents. But foreign exchange losses of $8.3m are included in the 1979 total. Sales moved up from $533.8m to $571.7m.

WOOLWORTH'S FIGHT AGAINST THE BRASCAN BID

They saw it coming

NEW YORK — Long before Brascan approached F. W. Woolworth with a proposed tender offer, Woolworth realised that it had become takeover bait and had set about evaluating its true worth, Mr. Edward F. Gibbons the chairman disclosed.

The Brascan proposed tender offer of $35 a share or a total of $1.13bn for all 29.1m outstanding Woolworth shares finally came on April 9. Woolworth's board two days later opposed the offer as inadequate and after two months of manoeuvering, Brascan failed.

In an interview this week, Mr. Gibbons also said that Woolworth had hired the law firm of Skadden, Arps, Sale, Meagher and Flom and also Kidder Peabody, the invesiment banker last autumn.

He said that his recommendation to increase the quarterly dividend was dated March 30, 1979—prior to Brascan's bid and not after, as some observers had speculated.

Mr. J. R. Page Wadsworth, former chairman of the Canadian Imperial Bank of Commerce is no longer a member of Woolworth's Canadian board.

The company hired Skadden Arps and Kidder Peabody to develop long-term strategies for any friendly or unfriendly takeover attempts, said Mr. Gibbons.

"It became increasingly apparent at that time that not only were we going to make a remarkable recovery but $4 a share earnings was attainable."

The international retail chain in fact posted earnings of $130.3m or $4.34 a share in the fiscal year ended January 31, compared with $85.5m or $2.81 a share.

Sales were $6.1bn compared with $5.53bn.

Because of Woolworth's relatively poor track record in the stock market the price of the stock was expected to lag behind the progress of the company, a factor which would make it attractive as a takeover candidate.

"Further, I felt that where there was smoke there must be fire." Mr. Gibbons was referring to an item in the Wall Street Journal on August 30 that indicated "a foreign group wanted to buy into Woolworth."

At that point, he said, he asked himself how prepared Woolworth was to cope with an offer whether it was friendly or not. "I concluded we weren't prepared."

Kidder, Peabody was brought in to evaluate the smallest details of Woolworth's Five Year Plan. Skadden Arps was retained to become familiar with the company and, because of a decision that had been made to terminate Rockower Brothers' apparel leases in Woolco Discount Stores Woolworth eventually paid Rockower about $7m in settlements.

The Kidder report evaluating Woolworth's Five Year Plan was presented to the Board in February so that when the Brascan offer came in April, the Board had a good grasp on the value of the company. The Board decision to oppose the offer was unanimous, he said.

F. W. WOOLWORTH has ended all borrowings with the Canadian Imperial Bank of Commerce, formerly its largest worldwide lender. The Bank loaned Brascan $700m to finance its takeover bid for Woolworth earlier this year.

Mr. Gibbons said he did not have figures on the costs of the Kidder Peabody study or of the entire defence against the Brascan bid. The Kidder Peabody report cost in the "hundreds of thousands of dollars" rather than near the $1m estimated by some.

During April and May a lot of time was spent keeping abreast of the fast-moving Brascan affair. "This wasn't your usual tender offer," he said, referring to the fact that simultaneously with Brascan's bid for Woolworth there was a bid by Edper Equities for Brascan. Also Brascan did not have the usual documents filed in the U.S. and Woolworth had to seek information in Canada.

Mr. Gibbons immediately told those whose primary job it was to run the company to do that and to let others worry about Brascan. He noted that sales gains in both April and May were both in double digits.

As a result of the Brascan affair, Woolworth's visibility is much greater than it was and its stock is selling for more than the $23 it closed at on April 2—it is currently trading on the New York Stock Exchange at $25⅞.

In a letter just mailed to Woolworth stockholders, Mr. Gibbons said that "notwithstanding recent events, the entire Woolworth organisation is working harder than ever to improve further its performance in order to narrow the gap between what we have accomplished and our clear potential."

No sooner had Woolworth finished with Brascan than it received notification that Loews Corporation had made a filing under the Hart-Scott-Rodino Act to enable Loews to raise its holdings of Woolworth stock to an amount in excess of $15m. The filing would enable Loews, after the applicable waiting period, to acquire up to 15 per cent of Woolworth's shares without any additional Hart-Scott-Rodino filing.

AP-DJ

Resorts faces inquiry in Bahamas

By David Lascelles in New York

RESORTS International, which recently celebrated the first anniversary of its epoch-making casino in Atlantic City, has revealed that the Bahamian legislature is to investigate allegations of improper payments by its Bahamian venture.

Resorts has for some time been operating a casino on Paradise Island, under a licence which is due to expire in 1987.

The revelation came last night in information filed by Resorts with the Securities and Exchange Commission in Washington. It said that a special committee had been set up by the Bahamian legislature to look into political contributions, gifts and entertainment for Government officials, and payments made in connection with the extension of Resorts' licence for its Paradise Island casino.

Resorts said that payments had been made mainly to "lower echelon employees," and had been "proper."

The allegations about Resorts came up earlier this year when the company was applying for a permanent licence to operate its casino in Atlantic City, New Jersey, the country's first outside Nevada. The New Jersey state attorney objected to the application on the grounds of Resorts' allegedly questionable conduct in the Bahamas and elsewhere. But the New Jersey casino control commission ruled that Resorts' record was adequate and granted the licence.

It was not immediately clear what the implication of the Bahamian inquiry might be. In the first quarter of this year, Resorts' Bahamian operation accounted for 20 per cent of its $84.3m revenues, and 20 per cent of its $35.4m profits.

Fuqua bid barred

A U.S. district court in the northern district of Ohio has barred Fuqua Industries from proceeding with its offer to buy the Hoover Company shares owned by Hoover family members, Reuter reports from Atlanta.

The order also enjoins Fuqua from proceeding with any tender offer for Hoover shares until it has complied with applicable laws and regulations.

Tosco confident

NEW YORK—Mr. Martin Winton, the president of Tosco Corporation, expects a "strong year" for the company and told analysts that prospects for the second quarter of 1979 appear better than those of the first quarter.

For the first quarter ended March 31, the company earned 57 cents or $11.8m on sales of $356.3m. In 1978, earnings were 83 cents or $18m on revenues of $1.17bn.

Tosco's refining and distribution operations contributed $27m to revenues in the first quarter, "and we foresee no decline in contribution in the second quarter and believe that it will be materially stronger."

The first quarter of 1979, along with the fourth quarter of 1978, are the first two in which the "productivity of our enlarged refining and distribution systems can be seen without adjustment for special regulatory burdens."

Those regulatory burdens were Federal Laws affecting small refiners which were changed to benefit the refiner in the third quarter of 1978, he said.

Reuter

Prime rate cut lifts Eurobonds

BY JOHN EVANS

EURODOLLAR bond prices rallied sharply in late trading, after Morgan Guaranty Trust Company of New York lowered its prime lending rate to 11½ per cent from 11¾.

Meanwhile, the foreign Deutsche-Mark Eurobond market recorded a broad advance, apparently helped by funds moving into the Germany currency on speculation of an imminent revaluation within the European Monetary System.

Dollar bonds gained up to ¾ percentage points after Morgan Guaranty's action. Dealers said the cut in prime rate restored the dollar market's momentum, after anxiety had started to build up over the scale of the recent improvement in prices and decline in yields.

Among new issues, Leumi International Investments NV, a subsidiary of Israel's Bank Leumi le-Israel, is to offer $75m of floating rate notes due 1986. The guaranteed notes are extendable at the holder's option to 1989.

The margin will be set at ¼ percentage points above six-month Eurodollar interbank rates, with a minimum coupon of 6 per cent.

The Alcoa Australia 10-year 10 per cent issue was increased to $60m from $50m and priced at par by the sole manager, Crédit Suisse First Boston. The issue was comfortably oversubscribed.

Deutsche-Mark foreign bonds recorded gains ranging to ½ point. An issue is expected later this week for the Norges Kommunalbank.

According to dealers, pre-market indications for the DM 200m issue for the Kingdom of Sweden were made on the basis of 1 to 1½ points, while the DM 100m Inter-American Development Bank offering was indicated at less 1¼ to 1½. Both issues bear a coupon of 7¼ per cent.

Eurosterling bonds were largely a nominal market, after the increase in the British minimum lending rate.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on June 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alex Howden XW 9½ 91	30	[illegible]	[illegible]	−0½	−0½	11.27
[illegible]	40	97¼	98¼	0	+0½	10.63
Bayer Int. F. 7¾ 89	200	86½	88¼	+0⅛	+0¼	9.61
CECA 9¾ 88-93	50	95½	95¾	+0½	+0¾	9.82
Canada 9 83	400	99¾	99⅞	+0⅛	+0⅜	9.36
Canada 9¼ 98	350	91⅞	92⅜	+0⅛	+1⅛	9.65
Canadian Pacific 9¾ 89	50	99⅛	99⅜	+0⅛	+0⅛	9.86
Comalco Inv. C 10¼ 91	40	99⅞	100⅜	0	+0¼	10.23
Dow Chem. O/S 9⅝ 94	200	98⅞	99⅜	−0⅛	+0⅛	9.73
[illegible] 9¾ 98	125	†95	95½	+0⅛	+1¼	9.80
EIB 9⅞ 86	150	100⅛	100⅝	−0⅛	+0⅛	9.77
EIB 9⅞ 99	100	100¼	100¾	+0⅛	+0⅞	10.05
Export Dv. Cor. 9.85 84	150	†101¼	101¾	0	+0⅜	9.66
Export Dv. Corp. 9¼ 84	100	99⅜	99⅞	+0⅛	+0⅛	9.67
Eksportfinans 9 86	50	96½	97	0	+0⅛	9.63
Finland 9½ 86	100	†98⅞	99⅜	+0⅜	+1	9.77
GTE Fin 9⅜ 84	50	98½	99⅛	−0⅛	+0⅛	9.78
Gould Int. Fin 9¾ 85	50	99¾	100¼	0	+0⅛	9.73
Hospital O/S 9 83	25	96⅞	97¼	0	−0⅛	9.87
Hudson Bay Co 10 84	50	101½	102	+0⅛	+0⅛	9.76
Itel Finance 9⅝ 90	30	91⅝	92¼	−0⅛	−1	11.00
Itel Finance 10½ 92	40	94	94½	−1⅛	−1⅛	11.31
ITT Antilles 9½ 89	75	97⅞	98⅜	0	+0⅛	9.78
Manitoba 9½ 89	75	97⅞	98⅜	0	+0⅞	9.79
New Brunswick 9¾ 94	75	99⅛	99⅝	+0⅛	+0⅜	9.89
Newfoundland 10 94	50	100⅝	101⅛	0	+0⅜	9.86
Norsk Hydro 9¼ 94	70	95⅞	96⅜	+0⅛	−0⅛	9.74
Norway 9⅜ 84	150	101	101½	0	+0⅛	9.63
Norway 9⅜ 84	150	99⅝	99⅞	0	+0⅛	9.42
Nova Scotia Pwr. 9⅝ 89	50	98½	99	0	+0½	9.86
[illegible] 10¼ 84	50	99⅞	100⅜	+0⅛	+1	10.28
Pennwalt O/S F. 9¾ 84	25	99½	99⅞	+0⅛	+0⅛	9.85
Portland [illegible] 94	50	98	98½	0	+0⅛	10.43
Quebec Hydro 10 99	75	95⅞	96⅜	−0⅛	+0⅛	10.34
Redland Fin. XW 9½ 91	25	92⅞	93⅜	0	−0⅛	10.53
Sears Roebuck 9 82	150	98⅞	99⅜	−0⅛	+0⅛	9.57
Stockholm 9⅞ 94	50	100⅛	100⅝	−0⅛	+0⅛	9.80
Sweden 9⅝ 89	100	99⅝	100⅛	+0⅛	+0⅜	9.76
Sweden 9⅝ 86	200	99⅝	100⅛	−0⅛	+0⅛	9.76
U S Leasing Intl 10 84	20	97⅜	97⅞	0	0	10.64

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible] Int. 5½ 87	—	[illegible]	[illegible]	+0⅛	+0⅛	6.53
Argentina 6½ 86	150	89⅞	90⅜	−0⅛	−0⅛	8.05
Argentina 7½ 88	100	93⅞	94⅜	+0⅛	−0⅛	8.43
Australia 6 88	250	93⅛	93⅝	0	+0⅛	6.97
Austria 5½ 90	150	85⅞	87⅜	+0⅛	+0⅛	7.48
Banco Desarrollo 7¼ 86	100	95⅛	95⅝	0	−0⅛	8.16
Barclays O'seas 6¾ 89	100	93⅛	96⅜	−0⅛	0	7.25
[illegible] 7¾ 86	100	93⅛	93⅝	+0⅛	−1⅛	8.80
Brazil 7½ 87	100	95⅛	95⅝	+0⅛	−0⅛	7.98
CECA 6 88	150	[illegible]	[illegible]	+0⅛	−0⅛	7.76
CECA 7 91	150	95⅛	95⅝	+0⅛	0	7.47
Copenhagen City 6 90	75	89⅛	89⅝	+0⅛	0	7.83
Council of Eur. 6¾ 88	150	90⅞	91⅜	−0⅛	−0⅛	7.60
Council of Eur. 7¼ 89	100	97⅞	98	0	−0⅛	7.58
Denmark 5¾ 85	100	93⅛	94⅛	+0⅛	−0⅛	7.12
Denmark 6½ 89	100	93⅛	94	0	−0⅛	7.44
EIB 6 90	—	85⅝	87⅛	−0⅛	+0⅛	7.78
EIB 6½ 91	200	90⅞	91⅜	+0⅛	−0⅛	7.66
EIB 7⅛ 89	200	98⅝	99⅛	0	0	7.76
Eletrobras-Brazil 7 87	100	93⅛	94⅛	+0⅛	−0⅛	8.10
Eurofima 6½ 89	100	96⅛	96⅝	+0⅛	+0⅛	7.00
Finland 6 83	150	97⅛	97⅝	+0⅛	−0⅛	6.65
Indonesia 7 84	100	95⅛	95⅝	0	−0⅛	7.82
Megal Fin. 7 89	150	97⅛	98⅛	+0⅛	−0⅛	7.32
Mitsubishi Chem. 6½ 84	70	99⅛	99⅝	−0⅛	+0⅛	6.62
New Zealand 6¾ 87	200	94⅞	95⅜	+0⅛	−0⅛	7.07
Nippon Kokan 6½ 84	100	99⅛	99⅝	+0⅛	0	6.74
Nippon Steel 5¾ 85	100	95⅛	95⅝	+0⅛	+0⅛	6.80
Nippon Tel. & T. 5⅞ 87	100	89⅛	89⅝	+0⅛	+0⅛	7.34
Nordic Inv. Bk. 6¾ 86	60	94⅞	95⅜	+0⅛	+0⅛	7.17
Norway 6¾ 84	200	99⅞	100⅜	+0⅛	+0⅛	6.18
Occidental 6¾ 90	150	92⅛	93	0	−2⅛	7.72
OKB 6⅛ 83	100	96⅜	97	+0⅛	−0⅛	6.99
OKB 6 87	40	91	92	0	−0⅛	7.49
Statoil 6 88	150	90⅛	90⅝	0	−0⅛	7.45
Statoil 6⅛ 89	150	95⅛	[illegible]	+0⅛	−0⅛	7.08
Tokyo Elec. Pwr. 6½ 85	200	96⅛	96⅝	+0⅛	+0⅛	7.22
UDS Group 5⅛ 83	65	94⅛	95	+0⅛	+0⅛	7.25
Venezuela 6½ 90	150	87⅛	88⅛	−0⅛	−6	8.17
World Bank 6½ 88	400	90⅞	91⅜	+0⅛	−0⅛	7.65

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Exp. Int. 3⅜ 93	40	88½	89	−0⅛	−4⅛	4.58
Asian Dev. Bank 3½ 94	100	82½	83½	−0⅛	−1⅛	5.18
Austria 3½ 89	250	94⅛	94⅝	+0⅛	+0⅛	5.06
Austria 3½ 93	100	92⅝	93⅛	0	−0⅛	4.66
Brazil 4½ 88	100	92	92½	−2⅛	−3	5.31
Canada 3⅞ 89	200	92⅛	92⅝	+0⅛	−0⅛	4.54
Chase Manhattan 4 93	70	94⅝	95⅛	+0⅛	−3⅛	4.48
Council of Eur. 4¼ 90	100	91⅛	91⅝	0	−2	5.22
Bankamerica 3¾ 93	50	88⅞	89⅜	+0⅛	−4⅛	4.83
BNDE 5 89	75	97	97½	−0⅛	−3⅞	5.38
Denmark 4½ 91	100	†97⅛	97⅝	+0⅛	−1	4.78
F. L. Smidth 4½ 89	25	95½	95⅛	+2	−2⅛	5.01
Haron 4⅛ 89	35	90	91	0	−1⅛	5.53
ICI Fin. NV 3¾ 94	270	89⅛	89⅝	0	−0⅛	4.58
Malaysia 4⅛ 89	70	95⅛	95⅝	0	−1⅛	5.34
New Zealand 3¾ 94	100	88	88½	0	−1	4.63
OKB 3¾ 91	100	89⅛	[illegible]	0	−1⅛	4.93
[illegible] 4 90	50	91	91½	0	−1⅛	5.07
Philippines 4½ 83	50	95⅛	96	0	0	5.70
Sandvik 4 90	25	89⅛	89⅝	+0⅛	−6	5.30
Spain 4 91	100	89⅛	90	0	−0⅛	5.18
[illegible]	[illegible]	†77⅛	82	−1⅛	−2	5.72
Voest-Alpine 4⅝ 89	90	†101⅛	101⅝	+0⅛	+0⅛	4.57
[illegible]	[illegible]	97⅛	97⅝	−0⅛	−1⅛	4.89
World Bank 4⅝ 89	100	†101⅛	101½	−0⅛	−0⅛	4.45

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 5⅜ 88	15	89⅛	[illegible]	0	+0⅛	7.51
Australia 5.6 83	10	92⅛	93⅛	−0⅛	−0⅛	7.63
Australia 6⅛ 88	20	90⅝	91⅛	−0⅛	−0⅛	8.00
Finland 5.6 83	10	91⅛	92⅛	0	0	7.98
Finland 6.8 88	10	91⅛	92⅛	−0⅛	−0⅛	8.22

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible] SDR	[illegible]	[illegible]	[illegible]	0	+0⅛	8.69
Avco Fin. 10½ 86 CS	25	96⅛	97⅛	−0⅛	−0⅛	10.91
Ex. Dev. Cpn. 10 84 CS	50	99	99⅛	0	−0⅛	10.19
Fst. Can. Inv. 10 84 CS	50	98⅛	98⅝	0	−0⅛	10.29
Hudson Bay 10¼ 89 CS	60	99⅞	100⅜	0	−0⅛	10.47
Quebec 10½ 86 CS	50	98⅛	98⅝	0	−0⅛	10.68
R. Bk. Canada 10 86 CS	40	100⅛	100⅝	0	+0⅛	9.92
R. Bk. Canada 10 84 CS	40	96⅝	97⅛	+0⅛	+0⅛	10.42
Copenhagen 8¼ 91 EUA	25	97⅛	98⅛	+0⅛	+0⅛	8.48
Komm. Inst. 7½ 93 EUA	15	96⅛	97⅛	0	+0⅛	7.88
Panama 8½ 93 EUA	20	96⅛	98⅛	+0⅛	+0⅛	8.74
SDFTE 8½ 89 EUA	40	96	97⅛	0	−0⅛	8.77
Algemene Bk. 8½ 83 Fl	75	93⅛	94⅛	+0⅛	−0⅛	8.17
CFE Mexico 7½ 83 Fl	75	94⅛	95⅛	0	−0⅛	9.25
EIB 7¾ 85 Fl	75	91⅛	92⅛	+0⅛	−1	8.86
Ned. Middbk. 8¾ 84 Fl	75	98⅛	98⅝	0	−1⅛	8.63
New Zealand 6¾ 84 Fl	75	90⅞	91⅛	+0⅛	−1	8.86
Norway 8¾ 84 Fl	100	97⅛	98⅛	+0⅛	0	8.77
Elf Aquitaine 9¾ 88 FFr	150	96⅛	97⅛	−0⅛	−0⅛	10.22
EIB 9¾ 88 FFr	200	96⅛	97⅛	−0⅛	−0⅛	10.23
Euratom 9¾ 87 FFr	150	96⅛	97⅛	−0⅛	−1⅛	10.34
Norway 9¾ 84 FFr	200	97	98	−0⅛	−0⅛	9.92
Peugeot 9¾ 87 FFr	175	96⅛	97⅛	−0⅛	−0⅛	10.32
Saint-Gobain 9½ 86 FFr	130	96⅛	97⅛	−0⅛	−0⅛	10.34
Solvay et Cie 9¾ 87 FFr	125	96⅛	97⅛	−0⅛	−0⅛	10.29
Total Oil 9¾ 87 FFr	150	94⅛	95⅛	−0⅛	−0⅛	10.28
Unilever 10 85 FFr	100	99⅛	100⅛	−0⅛	−0⅛	10.03
[illegible] £	20	91⅞	92⅛	0	+0⅛	10.86
Citicorp 10 93 £	20	81⅛	81⅝	+0⅛	+0⅛	11.28
EIB 9⅞ 88 £	25	82	82⅝	+0⅛	−0⅛	11.15
Finance for Ind. 13 91 £	15	103	103⅛	+0⅛	0	12.44
Gen. Elec. Co. 12¼ 89 £	50	101	101½	+0⅛	0	12.26
Eurofima 8 87 LuxFr	500	97⅛	98⅛	−0⅛	−0⅛	8.35
Norges Km. 8 88 LuxFr	500	97⅛	98⅛	+1⅛	+1⅛	8.43
Oslo, City of 8 88 LuxFr	500	97⅛	98⅛	+0⅛	−0⅛	8.28
Solvay Fin. 8 85 LuxFr	500	97⅛	98⅛	−0⅛	−0⅛	8.45
Swedish I. Bk. 8 88 LuxFr	500	97⅛	98⅛	0	+0⅛	8.31

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible] In. Co. M5.5 89	0¼	98⅛	99⅛	12/7	12.4	12.53
Banco di Roma M6 87	0¼	98⅛	99	28/10	11.19	11.33
Bco. El Salvador M8 83	1¼	†95⅛	96⅛	12/10	12⅛	12.79
Bco. Nac. Argent. 7 86	0⅛	97⅛	98⅛	22/9	11⅛	11.72
Banco Prov. BA M7¼ 88	0⅛	98⅛	98⅝	12/6	11	11.17
Banco Urquijo 6 88	0¼	97⅛	98⅛	21/9	11⅛	11.72
Bank of Tokyo M5½ 93	0¼	98⅛	98⅞	18/10	11⅛	11.91
Bq. Ext. d'Alg. M7.5 85	0⅛	95⅛	95⅝	2/11	11⅛	12.45
BNP 5¼ 91	0⅛	98½	99	22/2	11⅛	11.52
Citicorp O/S Fin. 6 94	0⅛	99⅛	100	8/9	10.69	10.71
Gotabanken M6 88	0⅛	98⅛	98⅝	15/5	11⅛	11.66
Ind. Bk. Japan M5½ 85	0⅛	99⅛	100⅛	1/12	10.94	10.95
Jyske Bank M5 88	0⅛	95⅛	97⅛	23/11	11⅛	12.27
LTCB Japan M5¼ 85	0⅛	99½	100	9/10	11⅛	11.65
LTCB Japan M5¼ 89	0⅛	99	99½	7/12	11⅛	11.21
Mfrs. Han. O/S [illegible] 94	0⅛	99⅛	99⅝	23/8	11.19	11.24
Midland Intl. M5¼ 93	0⅛	99⅛	99⅝	20/7	12⅛	12.37
Nipp. Credit Bk. M5.5 85	0⅛	99⅛	99⅝	22/6	12.81	12.88
[illegible] M5¼ 98	0⅛	99⅛	99⅝	18/10	11.44	11.49
Petro Mexicano M7 84	0⅛	99	99½	24/7	12.06	12.15
Privredna Banka M8 86	0⅞	96⅛	97	22/6	13.44	13.91
Sundsvallsbanken M6 85	0⅛	98⅛	98⅝	4/10	11.06	11.25
Texas Int. Air. M7 86	0⅛	97⅛	97⅝	11/10	11⅛	11.64
TVO Pwr. M5 91	0⅛	98⅛	98⅝	24/11	11⅛	11.31
Utd. Overseas Bk. M6 89	0⅛	97⅛	98⅛	29/9	11.14	11.36

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible] Int. Fin. 5½ 93	[illegible]	[illegible]	[illegible]	129	+1	1.51
Boots 6⅛ 93	2/79	2.16	100⅛	101⅛	+1⅛	−0.80
Ciba-Geigy O/S F. 4 94	9/79	675	91⅛	92⅛	+0⅛	−13.42
Coca-Cola Bottling 6½	4/79	9	†89	90⅛	−0⅛	21.66
Credit Suisse 4¾ 93	10/79	1325	99⅛	100⅛	0	6.83
[illegible] 4¼ 89	9/78	159	95⅛	96⅛	−0⅛	17.41
Honda Motor 5½ 89	5/79	532	93	94	+0⅛	1.28
Ito-Yokado 5¾ 93	6/78	1339	†98⅛	100⅛	−2⅛	−0.91
Nitto Elec. Ind. 6 94	7/79	735	89⅛	90⅛	−0⅛	4.69
Novo Industri. 7 89	4/79	259	87⅛	89⅛	+0⅛	13.36
Texas Int. Air. 7¾ 93	4/79	14.5	88	89	+0⅛	22.21
Thorn Int. Fin. 7 88	11/78	3.67	128⅛	129⅛	+0⅛	−1.17
Asahi Optical 3½ DM	12/78	588	79⅛	80⅛	+1⅛	8.18
Casio Co. 3½ 85 DM	11/78	841	81⅛	82⅛	+0⅛	17.92
Fujitsu 5 84 DM	7/78	475	93⅛	94⅛	−1⅛	15.03
Jusco 3½ 86 DM	1/79	1154	79⅛	80⅛	−0⅛	25.99
Kansai Elec. 4 84 DM	4/79	1350	86⅛	87⅛	0	20.78
Konishiroku 3½ 85 DM	1/79	612	83⅛	84⅛	+1⅛	16.71
Marudai Food 3½ DM	2/79	1033	77⅛	78⅛	+0⅛	34.40
Murata M. 3½ 86 DM	11/78	854	81⅛	82⅛	0	8.67
Nippon Ysn. 3½ 83 DM	1/79	251	†79⅛	80⅛	0	−29.25
Nissan Diesel 3½ 88 DM	2/79	477	86⅛	87⅛	+1⅛	4.61
Olympus Opt. 3½ 85 DM	2/79	703	91	91⅛	+2⅛	0.15
Sharp Corp. 3½ 88 DM	2/79	487	89⅛	89⅝	+1⅛	10.26
Stanley Elec. 3½ DM	11/78	623	†80⅛	81⅛	+0⅛	48.81
Tokyo Elec. 3½ 87 DM	4/79	476	†90	90⅛	0	27.55
Tokyu Ld. Co. 4 86 DM	4/79	493	83⅛	84⅛	+0⅛	12.88
Trio-Knwd. 3½ 86 DM	11/78	711	78⅛	79⅛	0	28.75

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

...rudent ...nternational ...anking ...atios urged

...y Nicholas Colchester

...ADUAL MOVES towards a ...ater uniformity of capital ...ios are emerging as the most ...ly route by which some ...traint on the development of ... international bank lending ...rket might be achieved.

...oth the efforts of the major ...tral banks, and the inclina-...ns of important commercial ...ks point more in this direc-... than towards any global ... of reserve requirements on ...hore deposits—a suggestion ...ently made by the U.S. ...deral Reserve.

...ankers at the International ...netary Conference, taking ...ce in London, yesterday ...nforced the impression that ... was in consolidating the ...ldwide assets and liabilities ... banks and in arriving at a ...eement on the proper ...tionship of total business ...ume to capital that the best ...nce for progress lies.

...r. Wilfried Guth, joint chief ...cutive of Deutsche Bank, ...red that declining profit-...lity in the international bank ...ding business would not ...lf ensure that such lending ...ained prudent. But he felt ...t a combination of prudent ...king ratios, imposed by ...king authorities, and more ...ght into "country risk," ...ld help make bank lending ...ns more realistic.

...rof. Alexandre Lamfalussy, ...nomic adviser to the Bank ... International Settlements, ... not go quite as far as Dr. ...h, in advocating an imposed ...tion, but he agreed that ...ly of the consolidated ...nce sheets of international ...ks, which the major central ...ks have now agreed to press ... should help national bank-... authorities individually to ...ly what ever restraint they ... was necessary.

...he bankers discussion of ...rnational bank lending did ... give rise to any general ...e that the current "bor-...ers market," fuelled by ...ple international liquidity, ... approaching an end.

...sked if another Herstatt ...is would be needed to bring ...ut this change, Dr. Guth ...eed that this was a question ...kers often asked themselves. ...he added that the economic ... could well be high and that ...as "better to live with lousy ...gins." He also observed that ...her the sudden deterioration ... Turkey's creditworthiness, ... that of Iran, had had such ...ock effect.

...o-ahead for ...riumph-Adler ...ink with VW

...y Our Berlin Correspondent

...E WEST GERMAN Cartel ...ice has given the green light ... Volkswagen's takeover of a ...trolling interest in the ...umph-Adler group of Nurem-...g. VW, in its first major ...nture outside the auto ...ustry, is to purchase the ...res from Litton Industries of ... U.S.

...he West German Diehl group ... also being allowed to proceed ...h its purchase of about 25 ... cent of Triumph's increased ...re capital.

The Cartel Office notes that ...iumph is West Germany's ...ding producer of office com-...ters, with 20 per cent of sales. ...t it says that the market, as ...ll as the position of the ...rious companies, is now ...trongly in flux" because of ... advance of microprocessor ...hnology and the micro-...mputer.

The Berlin anti-trust agency ... the West German Economics ...inistry lists IBM, Philips, ...ivetti, Siemens and Nixdorf ... the other "financially potent" ...oducers, and says it "cannot ... expected" that Triumph, ...en with VW's financial ...rength, will achieve a ...dominating market position."

...VW is expected to pay some ...M 300m to gain a share of ...ound 55 per cent in Triumph-...erke, Nuremberg AG, while ...itton is to retain 19 per cent ... the company. The Cartel ...ffice says VW's position in the ...r industry also cannot be ...pected to be noticeably ...rengthened by the merger.

Fiat lifts market shares in Europe

BY PAUL BETTS

HIGHER SALES and improving market shares in Europe were reported yesterday by the Italian motor company Fiat SpA for the first quarter of 1979.

Sales for the three months were 16 per cent ahead, Giovanni Agnelli, chairman, told shareholders at the parent company's annual meeting in Turin. He explained that within the upturn, car sales had been particularly strong in Italy where market share had moved up by 0.3 per cent and in Europe generally. Across Europe, Fiat market shares in cars had improved by 0.7 per cent.

Sig. Agnelli also referred to the agreement reached with SEAT of Spain in the last 24 hours. Fiat, he said, was to take control of the management of the troubled Spanish group and launch an ambitious Pta 50bn ($756.4m) restructuring programme. At the same time, SEAT's productive capacity is to be increased to 400,000 cars a year, and Fiat's 36 per cent stake in SEAT will be raised to 80 per cent in 1981.

The rationalisation and restructuring programme, according to Fiat, is designed in large measure to concentrate the Spanish group's production on three models—the Ritmo, the new "Zero," and the 127.

However, Sig. Agnelli warned Fiat reserved itself the right to opt out of the deal should certain conditions not be met. These concerned financing, labour mobility, the freeing of prices, and the siting of a new plant at Martorell near Saragossa and not at Barcelona as originally planned.

At the same time, Sig. Agnelli said Fiat was still seeking collaboration deals with other European manufacturers for the joint production of components.

In the U.S., Fiat Credit Corporation, jointly controlled with the West German Deutsche Bank, was expected to start its financial operations to back Fiat group sales in America in the autumn. The Turin group estimates its net sales in the U.S. will reach some $1bn by the end of next year.

Sales in Italy of commercial vehicles by Fiat's Iveco subsidiary fell 16.3 per cent in the first quarter from their year ago levels, but rose on foreign markets giving an overall increase in sales of 2.7 per cent to 25,500.

Strikes hit Fiat's output in the first quarter with its tractors, rail products and aviation and component subsidiaries all losing production, Sig. Agnelli declared. Strikes were particularly bad in the car sector and "their impact could worsen" until a new labour contract is reached.

The meeting confirmed that Fiat profits in 1978 rose to L74.6bn from L65bn on a rise in sales to L13,135bn from L11,449bn. Car and truck sales rose by 6 per cent last year in terms of units.

Fiat's capital spending last year amounted to some L1,000bn.

French bank surges ahead

BY TERRY DODSWORTH IN PARIS

ONE OF the big three French nationalised commercial banks Societe Generale, has raised its capital to a little over FFr1bn ($227m) in a two for 25 share issue worth FFr 75m. Its reserves now stand at FFr 1.6bn, and its total resources at FFr 4.4bn.

After a year marked by only a moderate growth in the economy, which, according to Societe Generale put a brake on banking activity, total net consolidated profits just topped FFr 1bn in 1978, compared to FFr 794.9m. Net profits for the parent company went up by 53 per cent to FFr 663m. Some FFr 655m has been attributed to reserves.

The bank says that in France its activity has not been helped by the failure of industry to take advantage of the government's price liberation policies. Nevertheless, its points out that the growth of its balance sheet total, up by 19.6 per cent to a total of FFr 248bn was superior to the 12.3 per cent expansion in the country's money supply.

While clients' deposits rose by 15 per cent during the year to FFr 107bn, credits went up by only 8.2 per cent to FFr 86bn.

Societe Generale notes that it is continuing its drive for overseas expansion. Last year was marked by the opening of a branch in New York, a growing representation in Latin America, Asia and the Far East. In the Middle East, it has created National Societe Generale Bank in collaboration with the National Bank of Egypt, and is developing links in the Sudan, Iraq, Syria and Jordan.

In total, it now has 200 overseas operations in 60 countries, and profits from this branch of its business were achieved in nine months during 1978.

* * *

THE NEW shape of Manufrance, the troubled St. Etienne-based manufacturing and retail company, which has been on the verge of bankruptcy for the last year, is likely to emerge this week.

Documents are due to be signed handing over management of the company to a new organisation with a capital structure based to a large extent on public funds.

The basis of the new company will be a FFr 40m ($9m) loan guaranteed by the St. Etienne municipality, of which FFr 30m comes direct from the local authority, and FFr 10m from the Loire regional authorities.

In addition, the Fonds de Developpement Economique et Social (FDES), the State-backed industrial development agency, has pledged FFr 22m.

Private sector funds are coming from Fabis, a mail order company, MACIF, the mutual assurance organisation, and Equitas, a Swiss company backed by several leading European banks.

Some of Manufrance's new management team have already been appointed, and it seems that for the time being it will be continuing in its traditional areas of business. These include the manufacture of bicycles and sporting weapons, mail order, and a chain of shops.

Volvo sees further upturn in earnings

BY WILLIAM DULLFORCE IN STOCKHOLM

THE PROFIT return on Volvo cars has not reached the level needed "in the longer perspective," but the board anticiapates that earnings will imporve further over the next few years. In the prospectus for Volvo's new share issue, it expresses confidence in the company's prospects and its ability to give shareholders a good return on their capital.

Volvo expects to maintain a dividend of SKr 7 a share this year. The new shares would be eligible for this dividend. Volvo is offering a SKr 212m ($48m) rights issue of one-for-five at SKr 60 a share against a nominal SKr 50 and a current market price of SKr 71 a share.

The Volvo share price has been falling on the Stockholm exchange over the past week. According to market sources, the reasons are the oil price increases and the feeling that there is too small a margin between the offer price of the new shares and the current market price.

The prospectus notes that the plan defeated by the shareholders for the sale of a 40 per cent share in the group to Norway would have provided more risk capital (SKr 750m) than the new rights issue. Volvo was, nevertheless, pushing ahead with its product development programme, the cost of which over the next few years would be considerably higher than previously.

The group recently announced an increase of more than 50 per cent in first quarter earnings and a 25 per cent climb in sales. In 1978, it earned SKr 650m before tax on a SKr 19.1bn turnover.

Most conspicuous has been the improvement in the volume of car sales after the decline in 1975-77. The production programme for 1979 exceeds 320,000 cars and is the largest in Volvo's history.

KRUPP GROUP

Loss grows as steel recession bites

BY GUY HAWTIN IN FRANKFURT

KRUPP of West Germany, which is more than 25 per cent owned by the Iranian government, finds it difficult to forecast likely progress in 1979. However, its management confessed at the annual press conference that it has little hope of seeking a return to profit on steel this year.

One of the reasons for the uncertainty are the group's Iranian links. The Shah's representatives on the supervisory board have been replaced by those of the revolutionary Government and the Krupp management state that co-operation between Iran and the concern is being further intensified.

Currently the group has some DM 200m worth of orders on its books frof Iran and the vast bulk of its exposure there is covered by West German credit insurance.

Group turnover increased by 7 per cent last year—from DM 11.17bn in 1977 to DM 11.9bn ($6.22bn)—but the year ended in the red. The year's loss, including losses carried forward, amounted to DM 122bn of which some DM 19m were attributable to losses in 1978, itself.

The leading lossmaker was the steelmaking operations. In common with all of the country's steel concerns, Krupp's business has been greatly depressed by the industry's recession. Steel losses, however, were down from DM193m in 1977 to DM121m.

Performance during the first five months of the year has shown sales up by 2 per cent on the comparable period of 1978 to DM4.3bn, with all sectors, except shipbuilding benefiting from the growth. For the year, as a whole, sales growth is expected to be far steeper.

The inflow of orders during the period rose 22 per cent against the first five months of 1978. By the end of May the order book stood at DM 10bn.

Schering in U.S. deal

BY LESLIE COLITT IN BERLIN

SCHERING AG, the West Berlin-based pharmaceutical and chemical company, plans to take over the pharmaceutical division of Cooper Laboratories in Palo Alto, California.

Schering will reportedly be paying $85m for the assets and the company says that "assuming a positive outcome" of negotiations, the deal should be completed by October.

This would represent the largest American purchase for Schering in the post-war era after its considerable holdings in the U.S. were confiscated in 1942 as alien property.

In January, the company bought the chemical products division of Ashland Oil Company for $60m, renaming it Sherex Chemical Company.

Cooper Laboratories pharmaceutical division had sales last year of $34m.

Schering says that three of the company's products for cardio-vascular and respiratory diseases, making up 80 per cent of the company's sales, are seen as having the greatest growth potential.

Last year, Schering's group sales in the U.S. amounted to DM 80.1m, not including Sherex which had sales of $100m in 1977-78.

Ruhrgas plans substantial increase in production

BY ROGER BOYES IN BONN

RUHRGAS, West Germany's largest natural gas distributor, is planning to step up radically its gas distribution over the next three years to cope with the demand created by the oil crisis. But Herr Klaus Liesen, the chairman, stresses that gas should not be allowed to cover more than 20 per cent of the country's energy needs.

Announcing 1978 profits of DM 150.6m ($79m) against 1977's DM 136.3m, Herr Liesen outlined his company's policy of modest growth. The main drawback, he said, to expanding too quickly to compensate for oil shortages was the risk of financially overstretching the company, now 25 per cent owned by British Petroleum. Gas had to be transported over longer distances and at greater cost than ever before.

Nonetheless, by 1982 the gas industry expects to have to cover 18 per cent of German energy needs compared to 15.4 per cent last year. This will entail a rise in deliveries from 540bn kWh (kilowatt hour equivalent), most of which came from Ruhrgas, last year to 800bn kWh in the 1980s. Ruhrgas said that a "realistic" pricing policy will keep demand in check—price increases in autumn and spring next year are expected to bring prices in line with oil.

Attributable profits increased to DM 70.6m last year from DM 66.4m in 1977, and a dividend of 17 per cent is being paid. In 1977, Ruhrgas paid 16 per cent and has been steadily increasing its payments to shareholders—mainly the oil majors—since 1969.

The capital base of the company has been expanded by DM 60m and now totals DM 415m, while DM 69m has been transferred from profits to free reserves.

The bulk of investment continues to go to the various Ruhrgas subsidiaries which are researching new sources of supply, such as coal-based synthetic gas.

The 1979 accounts of the parent company will probably reflect part of the cost of five liquefied natural gas tankers which are designed to transport lng from Algeria. At current prices, lng tankers cost DM 300m each, so this could cut a large hole in Ruhrgas's profits. It is expected, however, that the West German-Dutch purchasing consortium will split the costs with Algeria.

Steady advance at Ennia

BY CHARLES BATCHELOR IN AMSTERDAM

ENNIA, the Dutch insurance group, continued to increase profits in the first quarter of 1979 and the Board expects this trend to continue throughout the rest of the year. After allowing for the 10 per cent anniversary bonus, profit per share will also rise.

Net profit rose by 23 per cent to Fl 11.8m ($5.6m) in the first three months of the year after Fl 2m was paid into a special reserve for major catastrophes. Ennia has established such a reserve because of the increased extent and complexity of the risks resulting from its activities.

Profits per share were 20 per cent higher at Fl 5.39 per share after a 1.8 per cent increase in the number of shares outstanding during the quarter. Gross receipts rose 7.3 per cent to Fl 662m ($317m) while expenditure rose only 3.4 per cent.

The company has made an additional agreement with the Swiss Reinsurance Company to guarantee the effectiveness of measures taken to protect it against takeover bids in view of recent increases in Ennia's capital. In 1973, preference shares amounting to 50 per cent of Ennia's ordinary share capital were placed with the Swiss group's holding company.

Sharply higher loss at Lisnave

BY JIMMY BURNS IN LISBON

...ISNAVE, the Portuguese ship ...epairers, has recorded net ...sses of Es 546m ($11m) for ...978 compared with losses of ...s 241m in 1977.

The company, which accounts ...r some 5 per cent of ...ortugal's total export earnings ...nd which employs one of the ...argest workforces in the ...ountry, blamed the results on ...he sector's continuing inter-...national crisis and on the ...political and economic ...nstability in Portugal.

In addition to a domestic ...redit squeeze and a continuing ...igh inflation rate, Lisnave's ...ompetitiveness on the inter-...national market has been ...dversely affected by the fall ...n the dollar which neutralised ...the stimulative effects of last year's devaluation of the escudo.

The number of tankers repaired at Lisnave's Mageira docks, near Lisbon, fell from 192 in 1977 to 166 in 1978. The drop in orders is blamed on the aggressive competition pursued in 1978 by ship repairers in Singapore and South Korea where prices are much lower.

Nevertheless, the company expresses moderate optimism about the future and indicates that it might have now passed its lowest point.

Its performance in 1979 is expected to improve as a result of a rationalisation programme, aimed at reducing costs and increasing turnover. The plan includes a gradual slimming of the 10,000-strong labour force. Although widescale lay-offs are proscribed by Portugal's present labour legislation, the management at Lisnave is hoping to reduce the labour force this year by 1,000 through an early retirement scheme. This has already been agreed in principle with the unions.

In addition, the company is urging the Government to participate more fully in the rescue operation by offering more favourable interest rates for exports.

Among the company's investments last year was $5m in new dock equipment, including automatic blasting machines and a new platform designed to make work at the Mageira yard more efficient. Future projects include a new cleaning dock on the mainland which would take over from Lisnave's three floating docks.

The company is also hoping to expand its international operations through its sister company Navelink. A viability contract was recently signed for the design and general construction of a fishing fleet repair dock in Cape Verde, one of Portugal's African colonies. Lisnave is also studying the possibility of close collaboration with the Arab shiprepairing yard (ASRY) in Bahrain.

Compromise reached to end Marra dispute

By John Rogers in Sydney

THE LONG-STANDING battle between dissident shareholders and the management of the Australian pastoralist, Marra Development is about to end—with the two opposing forces yesterday announcing that a compromise plan had been agreed, which would cost the company A$7.22m (US$8m).

After a two-day adjournment in proceedings in the Equity Court of New South Wales, between two minority holders and directors, a settlement was reached, the court was told late yesterday. The Board is to return 300 cents a share to holders of the 50c ordinary units, and this is to be followed by cancellation of the remaining paid-up capital of 20c a share, leaving the company with only its issued preference capital. After consultation between the board, holders of the preference stock and of the ordinary capital, all litigation was to be dropped, Mr. R. A. Brierley, the chairman announced.

Although all parties are in accord, the proposal will have to gain court approval before it can proceed. It will involve repurchase of the company's 24.06m ordinary shares, at a cost of A$7.22m, with the remaining A$4.31m in paid-up capital being cancelled. Total control of the company will now pass to Mr. R. A. Brierley, whose company Industrial Equity (IEL), recently bought 20.2m preference shares for A$10.5m from Mr. P. N. Yunghanns. This gave his company 68.62 per cent of the preference capital and 37.9 per cent of the ordinary stock.

It is understood that the possible length and cost of these proceedings brought about yesterday's compromise proposals, which tops up by 5c a share a similar scheme rejected by minority shareholders in April, before legal action was taken. The former chairman of Marra, Mr. P. Berner has consistently called on all parties to settle their differences in the face of mounting court costs.

The redeemable preference shareholders will convert their shares into ordinary capital at the end of the year.

More growth forecast by Marui

By Donald Maclean

MARUI, THE Japanese department store specialising in credit sales, expects its parent company net profits to rise by some 10 per cent to Y7.9bn ($35.9m) in the current financial year, ending January 31, compared with the 12.4 per cent in the previous year, to Y7.2bn.

Sales are expected to increase by about 6 per cent to Y210bn, Mr. Tadao Aoi, the company's president said in London. Last year, there was a rise in turnover of 7.7 per cent to Y197.9bn — after an accounting adjustment, but for which the gain would have been 9.2 per cent.

Unit trusts growth boosts Komplex Kewangan profits

BY WONG SULONG IN KUALA LUMPUR

KOMPLEX KEWANGAN, one of the leading Malay financial institutions, sponsored by the Malaysian Government, has reported a highly successful year, with pre-tax profits for 1978 rising by 113 per cent to 20m ringgits (US$9m).

The group, which is involved in share trading, investment in public quoted companies, unit trusts and merchant banking, said that most of its subsidiaries reported increase in profits, with its share trading operations making the most money.

In the field of unit trusts, profits after tax were 8.4m ringgit, representing growth of 131 per cent over the previous year. It launched its tenth unit trust last October, and collected over 15m ringgit in subscriptions.

Dividends paid to shareholders (all of whom are Malays) totalled 2.4m ringgit in 1978 compared with 1.3m ringgit the year before.

The group's investment subsidiary, Amnah Nasional Berhad achieved a pre-tax profit of 4.2m ringgit, an increase of 165 per cent over 1977, while its finance subsidiary, Amnah International Finance Berhad, made a pre-tax profit of 1.1m, compared with 0.3m ringgit in 1977.

However, its Discount house, Malaysia Discounts Berhad, recorded a marginal increase in profits, at 3m ringgit, pre-tax, while pre-tax profits at the group's Amnah Chase Merchant Bank Berhad fell from 1m ringgit to 0.9m ringgit.

During the year, Komplex Kewangan invested a further 22m ringgit in shares of publicly quoted companies, bringing such investments to 103m ringgit.

The group recently bought a 20-storey office building (Kwisma Ambassador) in the business district of Kuala Lumpur for 30m ringgit, and renamed it, Wisma Komplex Kewangan.

Mr. Ghafar Baba, the group's chairman, said that he expected better profits for the group this year, pointing to the buoyancy in the Malaysian economy and on the Kuala Lumpur Stock Exchange.

Smorgon bids A$14m for ATL

BY OUR SYDNEY CORRESPONDENT

AFTER TWO weeks of share market speculation, the Australian electronics and totalisator group ATL, yesterday received an A$14m (US$15.57m) takeover bid from Smorgon Consolidated Industries, the large Melbourne-based family company.

Smorgon's offer of A$1.45 a share compares with ATL's trading range this year of A$1 to A$1.50, with the shares having sold for A$1.10 before the recent activity, in which 14 per cent of the capital changed hands. Smorgon announced yesterday that it now held 1.5m shares or 17 per cent of ATL. If the takeover is to be successful Smorgon will face a payout of some A$11.6m on top of its recent purchases.

The offer involves 8.66m ordinary shares together with A$1.92 for each of the group's convertible notes and 50c a share for the 200,000 preference units.

ATL, is well known in Australia for its close association with the introduction of off-course electronic betting. However, it announced this year that its contract to supply the tote system for Hong Kong's new Sha Tin racecourse was proving inoperable and that the Royal Hong Kong Jockey Club had called a halt to work on the central system as further development could not be justified.

ATL directors said the cancellation of this contract would result in a loss of A$3m and affect results for the year.

This news came just after a disappointing result for the December half when earnings slumped 84 per cent to A$189,000 despite a 40 per cent rise in turnover.

ATL'S suitor, Smorgon, has consolidated assets of about A$120m and shareholders' funds of A$70m and is one of Australia's largest private companies. The group, which employs 5,000 people and last year turned over A$200m, owns meatworks in Victoria, New South Wales and Queensland and is also involved in the manufacture of paper, paperboard and pulp moulded products, apart from interests in the packaging industry and real estate sector.

Yesterday, Smorgon said that the ATL offer was conditional on the company being maintained in its current form. ATL would operate as an autonomus unit with the Smorgon Group, they said.

JAPANESE BONDS

Bank chief in plea for better issue terms

TOKYO — The Japanese Finance Ministry has been urged by Mr. Magabiko Seki, the president of the Federation of Bankers Associations, to improve the issue terms of National bonds by raising the coupon or lowering the issue price.

Banks might refuse to underwrite July issues of National bonds unless terms are improved, Mr. Seki said.

The amount and terms of July issues are yet to be negotiated between an underwriting syndicate and the Ministry.

Mr. Seki also said the convertible 6.1 per cent National bonds held by Japanese banks totalling about Y2.70bn, should be converted into bonds of higher interest rates after improvement of issue terms. Scheduled listings on July 1 of about Y2,000bn of National bonds should be postponed.

Japanese city banks might suffer losses totalling about Y270bn ($1.2bn) in the six months ending September 30 as a result of a sharp decline in the value of National bonds, Mr. Seki commented.

This would more than offset in increase in their interest margins derived from a rise in their lending rates following an increase in official discount rate in April, and might force the banks to report net overall losses.
Reuter.

Downturn at Tata Finlay but payout held

By R. C. Murthy in Bombay

IT WAS a bad year for Tata-Finlay with profits before tax declining in 1978 to Rs 67.4m (Rs 88.3m), or some one-third of the Rs 188.56m earned in 1977.

Tata-Finlay was formed by the merger of the James Finlay group of tea estates with the tea marketing set-up of Tatas under the Foreign Exchange Regulation Act. Tata-Finlay's 54 estates are situated in areas as far apart as Upper Assam in North-East India and the southern state of Kerala.

Sales have come down to Rs 636.78m in 1978 from Rs 805.47m in 1977. But the dividend was maintained at 22.5 per cent. Production of tea in 1978 declined to 40.4m kg from 42.54m kg in 1977, and that of coffee to 0.4m kg from 0.48m kg.

The company has taken steps to improve plantation productivity, including extension planting and infilling, which will show results in future yields. Exports of Tata-Finlay instant tea rose markedly. Similarly, exports of packet tea registered "significant" growth.

In North India, the tea growing districts have experienced the worst drought for the past 40 years, and considerable damage to the tea bushes has resulted. Operating costs in both North and South India have risen as a result of the February Budget of the Central Government.

Prospects for improved prices are seen as good. Indications are that domestic consumption of tea in India has grown much faster than previously, because of three good years for the agricultural economy in India, combined with the availability of larger quantities of better teas during the past two years.

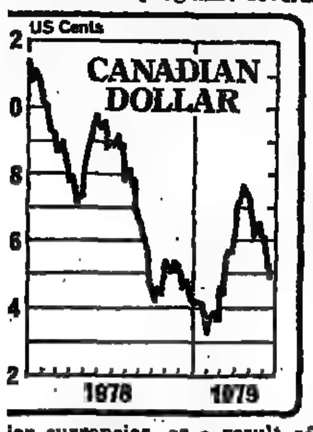
Companies and Markets

CURRENCIES, MONEY and GOLD

Pound strong

Sterling rose sharply yesterday afternoon on favourable reaction to the Budget. Its trade-weighted index, as calculated by the Bank of England, rose to 68, the highest level since March, 1976. This compares with 67.3 on Monday, and 67.5 at noon yesterday and 67.4 in the morning. The pound opened at $2.0675-2.0685, the lowest level of the day, and rose to $2.0745-2.0755 shortly before the Chancellor of the Exchequer began to speak. News of the sharp rise in Bank of England Minimum Lending Rate pushed sterling up very quickly to a high point of $2.0965-2.0975, but it eased slightly to $2.0910-2.0920 at the close, a rise of 2.27 cents on the day, and the best closing level since April 10.

The dollar gained ground on news of U.S. banks prime rate changes, but fell to its lowest level of the day against several major currencies, as a result of heavy demand for sterling. The U.S. currency fell to DM 1.9087½ from DM 1.9135 against the Deutsche Mark, and to SwFr 1.7312½ from SwFr 1.7325 in terms of the Swiss franc. Its trade-weighted index, on Bank of England figures, was unchanged at 86.9.



FRANKFURT — The Bundesbank did not intervene when the dollar was fixed at DM 1.9142 against the Deutsche Mark, compared with DM 1.9122 previously. Trading was quiet with the U.S. currency moving within a narrow range of DM 1.9125 to DM 1.9145 before the fixing. The Belgian franc and Danish krone were fixed above their intervention points within the European Monetary System against the Deutsche Mark. The Belgian currency was fixed at DM 6.226 per 100 francs, compared with a floor of DM 6.221, and the krone at DM 34.68 per 100 krone, against an intervention level of DM 34.645.

BRUSSELS — The Belgian National Bank gave support to the Belgian franc by selling D-marks and dollars before and during the fixing. The Belgian currency was fixed at BFr 16.058 per D-mark, compared with BFr 16.0585 on Monday, and a lowest permitted level of BFr 16.074. The Central bank gave no details of support for the franc, but dealers estimated intervention at around DM 40m.

MILAN—The lira improved against all EMS currencies except the Irish punt. The D-mark fell to L446.28 from L446.54, and the French franc to L192.90 from L193.02. The Irish currency improved to L1,685.50 from L1,683.50. The dollar rose to L854.55 from L853.80, while the Swiss franc eased to L492.62 from L492.67.

TOKYO—A sharp rise in Japanese imports and wholesale prices in May helped the dollar improve to Y219.40 against the yen, from Y218.82½ on Monday.

THE POUND SPOT AND FORWARD

June 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0675-2.0975	2.0910-2.0920	0.55-0.45c pm	2.87	1.35-1.20 pm	2.43
Canada	2.4285-2.4625	2.4560-2.4580	0.32-0.22c pm	1.32	0.70-0.60 pm	1.06
Nethlnd.	4.32½-4.40	4.37½-4.38½	2¼-1¼c pm	5.48	4¾-3¾ pm	3.98
Belgium	63.40-64.35	64.17-64.27	29-19c pm	4.48	53-43 pm	2.99
Denmark	11.38-11.58	11.54½-11.55½	2ore pm-par	1.04	par-2 dis	−0.35
Ireland	1.0475-1.0535	1.0500-1.0520	par-10p dis	−0.57	55-65 dis	−2.28
W. Ger.	3.95-4.02	3.98½-3.99½	2¾-1¾pf pm	6.78	6½-5½ pm	6.01
Portugal	102.75-104.50	104.10-104.40	40-100c dis	−8.06	125-225 dis	−6.71
Spain	136.60-138.50	138.15-138.40	20c pm-30c dis	−0.43	10pm-40dis	−0.43
Italy	1763-1792	1784½-1786½	2lire pm-par	0.67	par-2 dis	−0.22
Norway	10.75-10.90	10.87½-10.88½	3½-1½ore pm	2.76	9-7 pm	2.94
France	9.14-9.27½	9.25½-9.26½	2¼-¼c pm	1.62	3¼-2¼ pm	1.35
Sweden	9.07-9.20½	9.18½-9.19½	4-2ore pm	3.92	7½-5½ pm	2.83
Japan	452-465	459-460	2.55-2.30y pm	6.33	6.85-6.60 pm	5.81
Austria	29.05-29.65	29.45-29.55	17-7gro pm	4.88	50-40 pm	6.10
Switz.	3.57½-3.64	3.61½-3.62½	4-3c pm	11.59	9¾-8¾ pm	10.21

Belgian rate is for convertible francs. Financial franc 66.50-66.60.
Six-month forward dollar 2.65-2.40; 12-month 4.60-4.40.

THE DOLLAR SPOT AND FORWARD

June 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0675-2.0975	2.0910-2.0920	0.55-0.45c pm	2.87	1.35-1.20 pm	2.43
Ireland†	1.9700-1.9775	1.9700-1.9750	0.70-0.50c pm	3.65	2.00-1.75 pm	3.70
Canada†	85.00-85.10	85.03-85.06	0.07-0.04c pm	0.78	0.16-0.11 pm	0.63
Nethlnd.	2.0980-2.1020	2.0990-2.1010	0.45-0.35c pm	2.28	1.08-0.98 pm	1.96
Belgium	30.73-30.80	30.73-30.75	5-4c pm	1.76	9½-7½ pm	1.11
Denmark	5.5180-5.5225	5.5190-5.5215	0.25-0.75ore dis	−1.09	1.90-2.40dis	−1.56
W. Ger.	1.9100-1.9160	1.9105-1.9115	0.70-0.60pf pm	4.08	2.03-1.93 pm	4.14
Portugal	49.80-49.95	49.88-49.93	35-45c dis	−9.62	90-130 dis	−8.82
Spain	66.05-66.20	66.10-66.15	20-30c dis	−4.54	45-55 dis	−3.02
Italy	854.20-854.70	854.30-854.60	1.00-1.50lire dis	−1.75	4.00-4.75dis	−2.05
Norway	5.2070-5.2100	5.2075-5.2085	0.70-0.30ore pm	1.15	2.50-2.10 pm	1.77
France	4.4290-4.4350	4.4330-4.4345	0.05c pm-0.05dis	—	0.40-0.55dis	−0.43
Sweden	4.3920-4.3975	4.3958-4.3968	0.90-0.70ore pm	2.18	1.85-1.65 pm	1.59
Japan	219.20-219.70	219.30-219.50	0.95-0.85y pm	4.92	2.65-2.50 pm	4.69
Austria	14.108-4.114	14.108-14.113	4.00-3.60gro pm	3.19	12.50-11pm	3.33
Switz.	1.7730-1.7350	1.7335-1.7345	1.35-1.30c pm	9.17	3.75-3.70 pm	8.59

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

June 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.611992	0.634386
U.S. $	9½	1.26817	1.31699
Canadian $	11¼	1.48972	1.54785
Austria Sch.	3¾	17.8970	18.5892
Belgian F.	8	39.0026	40.5394
Danish K.	8	7.00285	7.27173
D mark	4	2.42753	2.52242
Guilder	7	2.65125	2.75396
French Fr.	9½	5.62021	5.83819
Lira	10½	1083.65	1125.69
Yen	4¼	277.095	289.866
Nrwgn. K.	7	6.60526	6.86622
Spanish Pes.	8	—	97.0988
Swedish Kr.	6½	5.57018	5.78657
Swiss Fr.	1	2.19926	2.28556

CURRENCY MOVEMENTS

June 11	Bank of England Index	Morgan Guaranty changes %
Sterling	68.0	−36.3
U.S. dollar	86.9	−6.7
Canadian dollar	80.9	−17.1
Austrian schilling	144.4	+18.1
Belgian franc	112.4	+12.7
Danish kroner	112.5	+1.9
Deutsche Mark	149.3	+41.7
Swiss franc	192.8	+80.1
Guilder	122.8	+18.5
French franc	97.9	−7.4
Lira	54.5	−49.0
Yen	132.3	+30.9

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England index=100).

OTHER MARKETS

June 12	£	$		£ Note Rates
Argentina Peso	2659-2679	1271-1281	Austria	28.70-29.70
Australia Dollar	1.8820-1.8860	0.9000-0.9020	Belgium	65-66½
Brazil Cruzeiro	52.69-53.69	25.20-25.65	Denmark	11.35-11.45
Finland Markka	8.32½-8.33½	3.9805-3.9850	France	9.10-9.20
Greek Drachma	76.27878.124	36.50-37.35	Germany	3.90-3.99
Hong Kong Dollar	10.665-10.685	5.0990-5.1085	Italy	1,740-1,780
Iran Rial	152-160	72¼-75½	Japan	454-464
Kuwait Dinar (KD)	0.571-0.581	0.2785-0.2786	Netherlands	4.25-4.35
Luxembourg Frc.	64.17-64.27	30.69-30.71	Norway	10.65-10.75
Malaysia Dollar	4.6030-4.6130	2.2010-2.2055	Portugal	100-106
New Zealand Dlr.	1.9920-1.9980	0.9525-0.9550	Spain	135¼-138¼
Saudi Arab. Riyal	6.99-7.09	3.4000-3.4010	Switzerland	3.55-3.65
Singapore Dollar	4.5830-4.5930	2.1910-2.1960	United States	2.065-2.075
Sth. African Rand	1.7560-1.7620	0.8395-0.8425	Yugoslavia	41-45

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.4582	40.5394	+2.74	+1.81	±1.53
Danish Krone	7.08592	7.27173	+2.62	+1.69	±1.635
German D-Mark	2.51064	2.52242	+0.47	−0.46	±1.1325
French Franc	5.79831	5.83819	+0.69	−0.24	±1.35
Dutch Guilder	2.72077	2.75396	+1.59	+0.66	±1.5075
Irish Punt	0.662638	0.667166	+0.68	−0.25	±1.665
Italian Lira	1148.15	1125.69	−1.96	−1.96	±4.0725

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 12	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.092	3.995	459.5	9.260	3.623	4.380	1786.	2.451	64.22
U.S. Dollar	0.478	1.	1.909	219.7	4.427	1.732	2.094	853.7	1.175	30.71
Deutschemark	0.250	0.524	1.	115.1	2.319	0.907	1.097	447.2	0.614	16.09
Japanese Yen 1,000	2.176	4.552	8.689	1000.	20.15	7.884	9.532	3886.	5.372	139.8
French Franc 10	1.080	2.259	4.312	496.2	10.	3.912	4.730	1926.	2.656	69.55
Swiss Franc	0.276	0.577	1.102	126.8	2.556	1.	1.209	492.9	0.678	17.73
Dutch Guilder	0.226	0.478	0.912	104.9	2.114	0.827	1.	407.6	0.561	14.66
Italian Lira 1,000	0.560	1.171	2.236	257.4	5.186	2.029	2.453	1000.	1.377	35.97
Canadian Dollar	0.411	0.851	1.625	186.1	3.765	1.475	1.783	726.3	1.	26.14
Belgian Franc 100	1.557	3.257	6.217	715.5	14.42	5.641	6.820	2780.	3.825	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.25-10.35 per cent; three months 10.25-10.35 per cent; six months 10.25-10.35 per cent; one year 9.95-10.05 per cent.

June 12	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	n/a	10¼-10⅜	9½-10¼	7¾-8	½-1	5⅞-6⅛	8-8½	9-10	—	5⅞-6⅛
7 days' notice	n/a	10¼-10⅜	9½-10½	7¾-8	⅞-1⅛	5⅞-6⅛	8-8½	10-11	10¼-10⅜	4-5¼
Month	11⅜-11⅞	10¼-10½	10⅝-11⅛	8⅛-8⅜	1⅛-1⅜	5⅝-5¾	10¼-10⅜	11-12	10¼-10⅜	5⅞-5⅞
Three months	11⅞-12⅜	10¼-10½	10⅞-11⅛	8⅛-8⅜	1⅞-2⅛	5⅞-6⅛	10½-11	12½-13½	10½-10⅝	5⅞-6⅛
Six months	12-12¼	10⅛-10⅜	10⅞-11⅛	9-9¼	2⅜-2⅝	6½-6⅝	10⅝-10⅞	13-14	10⅛-10⅜	6⅛-6⅜
One year	11¾-12	10-10¼	10¼-10⅝	8⅞-9⅛	2⅞-3	6⅞-7	10¾-11¼	13¼-14¼	10⅛-10⅜	6⅜-6⅝

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.20-10.30 per cent; three months 10.15-10.25 per cent; six months 10.05-10.15 per cent; one year 9.75-9.85 per cent.

Long term Eurodollar deposits: two years 9[illegible]-10[illegible] per cent; three years 9⅞-10 per cent; four year 9[illegible]-9[illegible] per cent; five years 9¾-9⅞ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

U.S. banks cut prime rates

Morgan Guaranty Trust became the first major U.S. bank yesterday to cut its prime rate to 11½ per cent from 11¾ per cent, reflecting a growing feeling that interest rates may have already peaked out. However, market conditions were somewhat confused in the absence of any official guide from the Federal authorities. Later in the day the Southwest Bank of St. Louis followed suit and lowered its prime rate to 11½ per cent. Demand for bills remained very strong and the yield on 13-week Treasury bills fell to 8.99 per cent from 9.19 per cent and to 9.01 per cent from 9.19 per cent on 26-week bills.

FRANKFURT—Interbank money rates were easier throughout yesterday, and call money fell to 5.50-5.60 per cent from 5.60-5.70 per cent. One month money eased to 5.80-6.00 per cent from 6.00-6.20 per cent and the three-month rate was also down at 6.40-6.50 per cent compared with 6.60-6.75 per cent previously. Six-month money fell to 6.80-7.00 per cent from 7.00-7.20 per cent and 12-month money was quoted at 7.30-7.50 per cent against 7.40-7.50 per cent on Monday.

PARIS—Day-to-day money continued to show an easier trend, with yesterday's rate quoted at 7¾ per cent compared with 7⅞ per cent on Monday. One-month money fell to 8⅛-8¼ per cent from 8¼-8⅜ per cent and three-month money was quoted at 8½-8⅝ per cent, down from 8⅝-8¾ per cent. The six-month rate declined to 8⅞-9 per cent from 8[illegible]-9[illegible] per cent with 12-month money also easier at 9⅛-9¼ per cent against 9¼-9⅜ per cent.

BRUSSELS—Deposit rates for the Belgian franc (commercial) showed little overall change yesterday with one-month deposits at 8[illegible]-8[illegible] per cent, compared with 8¾-8⅞ per cent, and three-month deposits at 9⅛-9⅜ per cent from 9¼-9½ per cent. The six-month rate was quoted at 9[illegible]-9[illegible] per cent from 9¼-9½ per cent as were 12-month deposits.

AMSTERDAM—Money rates were slightly easier where changed yesterday and call money eased to 7¾-7⅞ per cent from 7¾-8 per cent while the one-month rate remained at 8⅛-8⅜ per cent. Three-month money eased to 8¼-8½ per cent from 8⅜-8⅝ per cent and six-month money was unchanged at 9⅛-9⅜ per cent.

HONG KONG—Conditions in the money market were generally easy throughout with call money at 12½ per cent and overnight business dealt at 11¾ per cent.

UK MONEY MARKET

MLR up to 14%

Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979)

Bank of England minimum lending rate was increased in yesterday's budget to 14 per cent from 12 per cent and market conditions were somewhat confused as a result. In the money market day to day credit was in short supply with the authorities buying just a small amount of Treasury bills, all direct from the discount houses. The latter were paying 10½-11 per cent for secured call loans at the start with closing balances taken at 10¾-11¾ per cent. The market was faced with a small net take up of Treasury bills to finance and a small increase in the note circulation. On the other hand Government disbursements exceeded revenue transfers to the Exchequer by a small amount.

In the interbank market overnight loans opened at 10¾-11 per cent and eased to 10-10¼ per cent before coming back to touch 10¾-11 per cent during the afternoon. However, closing balances were taken in the region of 10-10½ per cent.

Rates in the table below are generally pre-budget rates.

LONDON MONEY RATES

June 12 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10-11	—	—	—	11¼	9-11½	—	—	—
2 days notice	—	—	11½	—	—	—	—	—	—	—
7 days or...	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11⅞-11⅝	11⅝-11½	—	12	11¾	10½-11	—	—	—
One month	11⅞-11¾	11[illegible]-11⅝	11½-11⅝	12½-12⅛	12⅛	12⅛	11⅝	11⅝-11[illegible]	11[illegible]-11[illegible]	12⅛
Two months	11[illegible]-11[illegible]	11[illegible]-11	—	12¼-12	12¼	—	11¾	11[illegible]-11[illegible]	11[illegible]	12¼
Three months	22[illegible]-11	11⅞-12	11¾-11⅞	12⅛-11⅞	12⅜	12⅜	11¾	11⅜-11[illegible]	11[illegible]	12¼
Six months	12-11¾	11⅞-12	11⅝-11¾	11⅞-11½	12⅜	—	—	—	11[illegible]-11[illegible]	12
Nine months	11¾-11⅝	11¾-11⅞	—	12⅛-11¾	12¼	—	—	—	—	—
One year	11[illegible]-11[illegible]	11⅝-11⅞	11⅝-11¾	12-11¾	12⅛	—	—	—	—	—
Two years	—	—	11¾-12	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice others seven days' fixed. *Long-term local authority mortgage rates nominally three years 12-12⅛ per cent, four years 12⅛-12⅜ per cent, five years 12¼-12½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 11[illegible]-11⅝ per cent; four-months trade bills 12 per cent.

Approximate selling rate for one-month Treasury bills 11⅞ per cent; two-months 11[illegible]-11[illegible] per cent; three-month 11⅞-11⅝ per cent. Approximate selling rate for one-month bank bills 11[illegible]-11[illegible] per cent; two month 11[illegible]-11⅝ per cent; and three-month 11[illegible]-11⅝ per cent; one-month trade bills 12⅝ per cent; two-month 12⅝ per cent; and three-month 12⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12 per cent from June 1, 1979. **Clearing Bank Deposit Rates** for small sums at seven days notice 9-9½ per cent. **Clearing Bank Rates** for lending 12 per cent. **Treasury Bills:** Average tender rates of discount 11.4209 per cent.

GOLD

Weaker trend

Gold fell $3¾ to close at $278-278¾. It opened at $280½-$281¼, and was fixed at $278.90 in the morning, and $277.75 in the afternoon. The krugerrand's premium over its gold content fell sharply to 4.45 per cent from 6.50 per cent for domestic delivery following the Budget announcement that the 1975 controls on gold coins would be abolished.

	June 12	June 11
Gold Bullion (fine ounce)		
Close	$278-278¾ (£132.9-133.2)	$281¾-282½ (£136.2-136.6)
Opening	$280½-281¼ (£133.5-133.9)	$282-282¾ (£136.5-137.2)
Morning fixing	$278.90 (£134.790)	$282.40 (£136.888)
Afternoon fixing	$277.75 (£133.901)	$282.35 (£136.566)
Gold Coins, domestically		
Krugerrand	$288¾-292¾ (£138-140)	$298½-302½ (£144¼-146¼)
New Sovereigns	$72¼-74¼ (£34½-35½)	$76½-78½ (£37-38)
Old Sovereigns	$88-90 (£42-43)	$87½-89½ (£42½-43¼)
Gold Coins, internationally		
Krugerrand	$287-289 (£137½-138½)	$290¼-292¼ (£140¼-141½)
New Sovereigns	$71¾-73¾ (£34¼-35¼)	$72½-74½ (£35½-36½)
Old Sovereigns	$90¼-92¼ (£43-44)	$92-94 (£44½-45½)
$20 Eagles	$400-405	$422-427
$10 Eagles	$225-228	$230-235
$5 Eagles	$155-168	$156-161

In Paris the 12½ kilo gold bar was fixed at FFr 41,600 per kilo ($291.95 per ounce) yesterday afternoon, compared with FFr 41,850 per kilo ($293.83) in the morning, and FFr 41,900 ($294.56) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 17,140 per kilo.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	10.3125
Treasury Bills (13-week)	8.99
Treasury Bills (26-week)	9.01

GERMANY

Discount Rate	4
Overnight Rate	5.55
One month	5.90
Three months	6.45
Six months	6.90

FRANCE

Discount Rate	9.5
Overnight Rate	7.75
One month	8.1875
Three months	8.5625
Six months	8.9375

JAPAN

Discount Rate	4.25
Call (Unconditional)	5.125
Bills Discount (three-month)	5.75

WORLD STOCK MARKETS

Prime Rate cut lifts Dow 7.7 in heavy trade

RESPONDING STRONGLY to a cut in Prime Rate by Morgan Guaranty Trust to 11½ from 11¾ per cent, Wall Street stocks advanced across a broad front yesterday in very heavy trading before late profit-taking trimmed the gain.

The Dow Jones Industrial Average, up almost 11 points at its best level of the day, finished a net 7.71 higher at $845.29. The NYSE All Common Index recorded an advance of 56 cents at $58.18 on balance, after reaching $58.34, while gains held a substantial lead over declining issues by 1,219 to 389.

Institutions took part as trading volume swelled to 45.59m shares from Monday's 28.29m, analysts said. It was the heaviest turnover since November 1 last year when 50.45m shares changed hands.

Stock market analysts noted that investors have been hoping that signs of a slowdown in the U.S. economy would take upward pressure off interest rates.

Recent signs of slowing economic activity include a fall in May retail sales, a drop in April durable goods orders and a slowing in wholesale price increases in May to less than half the rate of April.

Larry Wachtel, of Bache Halsey Stuart Shields, noted that institutional money managers hold large cash reserves. He said that while they may not be ready to say interest rates have peaked, they would be likely to commit some of that cash to equities over the remaining two weeks of the second-quarter and then "look around a bit" to survey the economic terrain.

The advance carried Retail, Drug, Oil, Motor, Airline, Aircraft, Chemical, Utility, Rail, Aluminium, Gaming, Bank, Computer and High Technology shares higher, but Golds retreated.

J. P. Morgan, parent of Morgan Guaranty, rose ⅞ to $47⅛, while IBM put on ½ to $78, Du Pont 1½ to $128½, Texas Instruments $2 to $91, Superior Oil $11 to $482, Albany International $3 to $45 and General Motors ½ to $60½.

Charter Co. jumped 9⅝ to $36⅛, while the Warrants gained $9 to $31⅛. On Monday, Charter said its acquisition of Carey Energy would boost 1979 profits to between $2 and $3 a share from 21 cents in 1978.

Boeing moved ahead 1½ to $43½. It has received orders for $550m of jet planes and predicted new orders in 1979 of about $8bn.

Among Gold stocks, Dome Mines fell 7¼ to $113, ASA ½ to $26½ and Campbell Redlake Mines $1½ to $18½. Callahan Mining, a silver mining company, lost ⅞ to $17½.

Seagram eased ¼ to $32¼ after reporting lower third-quarter profits, but J. Ray McDermott, which reported a fourth-quarter los but raised its quarterly dividend, picked up ⅞ to $17⅞. McDermott owns Babcock and Wilcox, the builder of the recently crippled Three Mile Island nuclear power plant.

THE AMERICAN SE Market Value Index advanced 1.97 to 196.04 on a large turnover of 6.66m shares (5.80m).

Energy shares led the advance. Dome Petroleum rose 1⅞ to $43⅞, Canadian Superior Oil 1⅞ to $117½ and Amex volume leader Great Basins Petroleum ½ to $12⅛.

Active Amdahl shed ½ to $26⅞ on top of a nine-point fall on Monday when it predicted a break-even second quarter. Sharon Steel, which plans to split its stock, added 1½ at $47½.

Canada

Following Monday's downturn on profit-taking in the Oils sector, Canadian markets showed renewed buoyancy yesterday in extremely active dealings apart from a sharp reaction in the Golds sector.

The Toronto Composite Index rose 9.7 to 1,574.6, while the Oils and Gas index climbed 41.5 to 2,750.2 and Metal and Minerals 13.1 to 1,312.9, but the Golds index, at 1,825.7, relinquished 117.1 of its recent good rise. In Montreal, Banks gained 2.94 to 294.71, Utilities 1.12 to 237.27 and Papers 0.75 to 164.52.

Dome Petroleum, the most active Toronto issue on 203,149 shares, climbed 1⅞ to C$51½. Numac Oil rose 1½ to C$35½, Hudson's Bay Oil ⅞ to C$71½.

Tokyo

After Monday's sharp retreat, the market showed some recovery yesterday, although business remained thin.

The Nikkei-Dow Jones Average, down 94.97 the previous day, recouped 31.97 to 6,097.16, while the Tokyo SE index rallied 1.61 to 439.58. Volume came to 150m shares (120m).

One broker, commenting on the thin trading, said "investors are apparently refraining from active buying ahead of the OPEC general meeting in Geneva later this month."

He added that most investors are hesitating because it is not clear how large OPEC's expected further crude oil price rise will be.

Another broker said investors are worried over another possible increase in the Official Discount Rate after the Tokyo summit talks are over.

The Bank of Japan announced yesterday that the nation's wholesale price index rose 1.6 per cent in May from April and 3.5 per cent from the year ago month. The broker said "the uptrend in inflation has become clearer, indicating that Japanese monetary authorities are going to tighten credit by summer."

Export-orientated Electricals, Vehicles and Cameras led the recovery on support from major Investment Trusts. Sony rose Y90 to Y2,090, TDK Electronics Y60 to Y1,720, Pioneer Electronics Y60 to Y2,020, Honda Motors Y16 to Y551, Nissan Motor Y15 to Y695 and Canon Y14 to Y539.

Toyo Kogyo put on Y5 to Y524 on reports that Sumitomo Industrial will increase its Toyo Kogyo share holding to cope with Ford Motor's 20 per cent capital participation in Toyo.

Pharmaceuticals, Steels, Shipping Lines and some Oils and Coals also closed firmer.

Germany

Taking some encouragement from a steadier Domestic Bond market, share prices managed a fresh recovery yesterday, leaving the Commerzbank Index 6.7 higher at 736.8.

Deutsche Bank added DM 3.20, Dresdner Bank DM 2.70 and Commerzbank DM 2, while in Chemicals Bayer gained DM 1.70.

Among Motors, Volkswagen climbed DM 4.80 and BMW DM 1.50, while Electricals had Siemens up DM 3.20. In Steels, Klockner picked up DM 2.50. Lufthansa rallied DM 3.

On the Domestic Bond market, Public Authority issues showed gains of up to 25 pfennigs and losses limited to 20 pfennigs, with the Bundesbank selling DM 22.7m nominal of paper after sales of DM 3.6m on Monday. Mark Foreign Loans were well maintained.

Paris

Stocks were generally firmer in fairly quiet trading, with sentiment aided by a reduction in the Call Money Rate to 7¾ from 7⅞ per cent.

Brokers noted that the market improved despite the announcement of a FFr 4bn French State Loan, to be floated on June 20.

Mechanicals, Foods, Electricals, Oils and Textiles closed mainly higher, but Banks, Hotels and Stores were mostly lower. Portfolios, Constructions and Chemicals were mixed.

BSN Gervais Danone advanced FFr 97 to FFr 687, Bouygues FFr 26 to FFr 878, Generale Occidentale FFr 17.1 to FFr 271 and Pechiney FFr 3.7 to FFr 96.7, while Crouzet were 7 per cent higher.

Penarroya, however, lost 80 centimes to FFr 63 on announcing a sharply increased consolidated 1978 net loss.

Australia

Encouraging figures about the economy released by the Bureau of Statistics helped markets to improve initially in quiet trading, but there was a partial reaction later on continued investor uncertainty over rising interest rates.

Market leader BHP reached A$9.24 before reacting to A$9.14 for a net gain of 4 cents. CSR closed strongly, however, with an advance of 16 cents at A$4.08.

Golds, strong of late on record high Bullion prices, turned mainly easier yesterday, with Gold Mines Kalgurli shedding 4 cents to A$1.45, but Central Norseman held steady at A$27.00.

Western Mining gained 4 cents to A$2.28 following an announcement of plans to fund and develop its Yeelirrie uranium deposits in Western Australia.

Elsewhere in Minings, Jimberlana Minerals were notable for an advance of 15 cents to A$1.65, while BH South recorded a gain of 3 cents at A$1.58.

Johannesburg

Gold shares relinquished some ground in fairly quiet trading, reflecting a downturn in Bullion prices

East Rand declined 50 cents to R9.70 and Blyvoor 30 cents to R7.65 after dividend announcements.

Mining Financials were marginally lower, while Coppers were quietly steady to firmer and Platinums were basically unchanged. Collieries drifted easier.

Hong Kong

Market was slightly lower in another quiet trading session.

Jardine Matheson lost 10 cents to HK$11.50 and Hutchison Whampoa 7.5 cents to HK$4.35, while Hong Kong Land, Swire Pacific "A" and Wheelock "A" each shed 5 cents to HK$7.15, HK$8.05 and HK$3.40 respectively.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax.
♥ Pta 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
♠ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. A Interim since increased.

Indices

NEW YORK —DOW JONES

	June 12	June 11	June 8	June 7	June 6	June 5	1979 High	1979 Low	Since Compil'n High	Since Compil'n Low
● Industr'ls	845.29	837.58	835.15	836.97	835.50	831.34	878.72 (19/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.00	84.77	84.83	84.82	84.78	84.58	85.90 (2/2)	82.82 (8/5)	—	—
Transport	241.97	239.23	238.48	239.24	238.12	236.61	241.97 (12/6)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	105.18	105.95	103.92	103.79	103.08	102.47	105.18 (12/6)	98.51 (15/5)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's†	45,590	28,290	31,540	45,530	40,700	35,090	—	—	—	—

● Day's high 851.61 low 837.14

Ind. div. yield %	June 8	June 1	May 25	Year ago (approx)
	6.07	6.16	6.01	5.43

STANDARD AND POORS

	June 12	June 11	June 8	June 7	June 6	June 5	1979 High	1979 Low	Since C'mpil't'n High	Since C'mpil't'n Low
‡Indust'ls	114.59	113.41	112.87	113.23	112.72	111.96	116.93 (9/1)	107.08 (27/2)	134.54 (11/1/73)	3.52 (30/6/32)
§Composite	102.85	101.91	101.49	101.79	101.30	100.62	103.54 (18/4)	96.13 (27/2)	125.85 (11/1/6)	4.40 (1/6/32)

	June 6	May 30	May 23	Year ago (approx)
Ind. div. yield %	5.28	5.38	5.32	4.86
Ind. P/E Ratio	7.92	8.58	8.45	9.51
Lon Gov. Bond Yield	8.95	8.98	9.05	8.43

N.Y.S.E. ALL COMMON

June 12	June 11	June 8	June 7	1979 High	1979 Low
58.18	57.62	57.42	57.53	58.18 (10/4)	53.88 (27/2)

Rises and Falls

	June 12	June 11	June 8
Issues Traded	1,941	1,844	1,898
Rises	1,219	734	698
Falls	389	719	737
Unchanged	333	451	463
New Highs	95	42	--
New Lows	11	17	--

	June 12	June 11	June 8	June 7	1979 High	1979 Low
MONTREAL Industrial	268.49	267.45	267.88	267.90	268.49 (12/6)	219.19 (2/1)
MONTREAL Combined	266.41	265.16	265.72	265.66	266.41 (12/6)	225.80 (2/1)
TORONTO Composite	1574.6	1564.9	1570.2	1570.8	1574.6 (12/6)	1315.8 (2/1)
JOHANNESBURG Gold	281.7	294.7	—	281.5	295.4 (29/5)	228.4 (17/4)
JOHANNESBURG Industrial	312.8	316.1	—	317.7	330.0 (23/5)	270.5 (2/1)

	June 12	Previous	1979 High	1979 Low
Australia (¶)	575.75	577.85	597.98 (19/3)	546.72 (2/1)
Belgium (‖)	105.81	105.58	106.09 (3/5)	96.80 (3/1)
Denmark (**)	94.78	94.88	97.32 (10/5)	88.39 (8/1)
France (††)	75.8	75.5	81.6 (2/5)	71.5 (15/3)
Germany (‡‡)	756.8	750.1	859.8 (16/1)	719.4 (7/6)
Holland (§§)	71.6	71.4	85.9 (24/1)	71.3 (7/6)
Hong Kong (¶¶)	545.55	547.38	588.90 (5/2)	495.85 (2/1)
Italy (‖‖)	77.05	76.45	80.01 (4/6)	68.38 (2/1)
Japan (a)	439.58	437.97	462.97 (31/1)	435.22 (10/4)
Singapore (b)	398.51	401.92	405.13 (25/5)	346.34 (23/2)
Spain (d)	88.28	—	111.86 (5/3)	85.05 (12/1)
Sweden (e)	365.51	364.88	401.34 (6/2)	347.72 (7/6)
Switzerl'd (f)	306.8	304.8	329.1 (2/5)	294.0 (3/1)

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10; and Toronto 300—1,000; the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

TUESDAY'S ACTIVE STOCKS

	Stock traded	Closing price	Change on day
Caesars World	883,500	30⅞	−1⅛
Charter Co.	708,000	36⅝	+9⅝
Tesoro Petrolm.	583,900	15⅞	+ ⅝
Bally Mfg.	542,100	44⅝	+ ⅛
Ramada Inns	529,300	12⅞	+ ⅛
IBM	512,000	78	+ ½
Charter Co. Wts.	390,100	31⅛	+9
Storage Tech.	365,300	17⅛	−1⅞
Holiday Inns	336,000	20⅝	+ ⅛
Amerada Hess	335,200	41⅞	+ ⅛

EUROPEAN OPTIONS EXCHANGE

Series	July Vol.	July Last	Oct. Vol	Oct. Last	Jan. Vol	Jan. Last	Stock
ABN C F.344.20	2	7					F.346
ABN C F.354.20			2	6	-	-	
AKZ C F.30	110	0.50	15	1.50	-		F.28.60
AKZ C F.32.50	25	0.20			60	1.30	"
AKZ C F.35			36	0.40	-		"
AKZ P F.30	5	1.50					"
AKZ P F.32.50		-	2	4.20	2	4.20	"
ARB C F.70	--	-	3	2.30	-		F.69.90
FNC C $25				-	2	[illegible]	$23
HO C F.32.50	5	0.40	10	1.70		-	F.30.70
IBM C $80	20	1	2	3½	--		$77⅞
KLM C F.100	1	6	14	7.50	7	9.50	F.104.50
KLM C F.110	29	1	18	3			"
KLM C F.120	1	0.50	1	1.50	5	4	"
KLM P F.100	45	1.40	4	5	10	6.20	"
KLM P F.110	1	1.30	2	9.50	1	9.80	"
KLM P F.120	—		1	19	1	19	"
PET C Fr.4400	--	—	2	615	3	660	Fr.4820
PET C Fr.4600	1	310	1	400	5	530	"
PET C Fr.4800			21	320	5	370	"
PET C Fr.5000	9	60	33	210	6	312	"
PHI C F.25	25	0.40	52	1.20	42	1.80	F.24
PHI C F.27.50	—		57	0.50	3	0.80	"
PHI P F.27.50	-		20	3.40	--	-	"
PRD C $35	5	[illegible]	5	2	—	—	$33⅛
RD C F.135	23	10	20	10	-	--	F.144
RD C F.140	26	5	6	6.50	5	8	"
RD C F.145	39	1.60	42	3	5	4	"
RD P F.130	-	-	5	0.80			"
RD P F.135	1	0.40	-	-	--		
RD P F.145	--	-	-	-	5	6.20	
UNI C F.125	1	1.30	15	3.50	--	—	F.122.50
XRX C $60	3	3½	2	5½	3	6⅞	$62⅞
	Aug		Nov.		Feb.		
BA C $45	22		--		-	—	$42⅛
BAZ C $40	5	4	56	5⅛		—	$42⅛

TOTAL VOLUME IN CONTRACTS 1015

C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	12 %
Allied Irish Banks Ltd.	12 %
Amro Bank	12 %
American Express Bk.	12 %
A P Bank Ltd.	12 %
Henry Ansbacher	12 %
Associates Cap. Corp.	13 %
Banco de Bilbao	12 %
Bank of Credit & Cmce.	12 %
Bank of Cyprus	12 %
Bank of N.S.W.	12 %
Banque Belge Ltd.	12 %
Banque du Rhone et de la Tamise S.A.	12½ %
Barclays Bank	12 %
Bremar Holdings Ltd.	13 %
Brit. Bank of Mid. East	12 %
■ Brown Shipley	12 %
Canda Perm't Trust	12 %
Cayzer Ltd.	12 %
Cedar Holdings	12 %
■ Charterhouse Japhet	12 %
Choulartons	12 %
C. E. Coates	12 %
Consolidated Credits	12 %
Co-operative Bank	*12 %
Corinthian Secs.	12 %
Credit Lyonnais	12 %
The Cyprus Popular Bk.	12 %
Duncan Lawrie	12 %
Eagil Trust	12 %
English Transcont	12 %
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	12 %
Greyhound Guaranty	12 %
Grindlays Bank	‡12 %
■ Guinness Mahon	12 %
■ Hambros Bank	12 %
■ Hill Samuel	§12 %
C. Hoare & Co.	†12 %
Julian S. Hodge	13 %
Hongkong & Shanghai	12 %
Industrial Bk. of Scot.	12 %
Keyser Ullmann	12 %
Knowsley & Co. Ltd.	13½ %
Lloyds Bank	12 %
London Mercantile	12 %
Edward Manson & Co.	13 %
Midland Bank	12 %
■ Samuel Montagu	12 %
■ Morgan Grenfell	12 %
National Westminster	12 %
Norwich General Trust	12 %
P. S. Refson & Co.	12 %
Rossminster	12 %
Ryl. Bk. Canada (Ldn.)	12 %
Schlesinger Limited	12 %
E. S. Schwab	13 %
Security Trust Co. Ltd.	13 %
Shenley Trust	14 %
Standard Chartered	12 %
Trade Dev. Bank	12 %
Trustee Savings Bank	12 %
Twentieth Century Bk.	13 %
United Bank of Kuwait	12 %
Whiteaway Laidlaw	12½ %
Williams & Glyn's	12 %
Yorkshire Bank	12 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 9½%, 1-month deposits 9¾%.
† 7-day deposits on sums of £10,000 and under 9½%, up to £25,000 10%, and over £25,000 10¼%.
‡ Call deposits over £1,000 9½%.
§ Demand deposits 9½%.

FINANCIAL TIMES SURVEY
Wednesday June 13 1979

Northern Ireland

Ulster's bitter sectarian conflict is still taking its toll in lives and disruption after more than ten years of strife. Yet, despite the increased sophistication of the Provisional IRA, there is some hope. A start has been made to cut the alarming level of unemployment and the appointment of a fresh Ulster Secretary—belonging now to a majority government at Westminster—could improve the prospects for political progress.

.iving /ith ıe :oubles

Stewart Dalby

)AY, MORE than 10 years r the "troubles" started to :r in Northern Ireland it ld be futile to pretend that lasting overall solution to bitter sectarian conflict is closer.

ı the surface the province :ars more normal. The ence is not so heavily pub- ed (partly, one feels, use after 10 years of watch- :t on their television screens : of the British public have little response to it and t to shrug it off).

:t 13,500 British troops ain in the province and show : sign of leaving. Every ; seems to bring reports of ıldier or policeman being d or a bomb being planted train or factory. The Pro- nal IRA has not been ated. It has transformed f from an often clumsy :t army into a more sophisti- l guerrilla force which, it is clear, will take a long , if ever, completely to icate.

terms of bald economic :, never mind the toll in an lives, Northern Ireland unts for £2bn a year. When contributions of Northern ı taxpayers are stripped out still leaves a net amount of m for 1978/79. In 1977/78 net cost was £1bn because of rite-off of £250m for the hern Ireland Electricity Ser- , borrowings. The cost would be even higher if some extra costs of having the Army operational in the province are included (these are often excluded because it is argued that if the army were not in Ulster it would be somewhere else, so that the Northern Irish cost is not an extra one).

So far this year 32 people have been killed compared with 81 in 1978, and the total death roll over the 10-year period since the troubles started stands at 1,932, *plus* 16,525 injured. And not only are the province's citizens being killed; they remain, with a per capita income of £2,100, probably among the poorest in the UK.

Even without the troubles, Northern Ireland would have had an unemployment problem, *since its industries are declining ones.* The province saw its heyday in the late Victorian era and the first decades of the 20th century, when unlike the Irish republic, Ulster attracted in particular shipbuilding and textile concerns. These industries today are throwing people on to the jobs market, as is agriculture. Unemployment at 10.9 per cent is twice the national average.

The province remains in an unsatisfactory political limbo. It had its own Parliament at Stormont for 50 years—which meant that it had more autonomy than virtually anywhere else in the UK but since 1972 there has been direct rule from Westminster with the result that at a local level the province is probably now less governed than anywhere else in the UK.

Limbo

The majority rule system of democracy in the UK, with its first past the post method of electing representatives meant that the Unionists usually elected by the 1m Protestant Unionists in the province dominated Stormont and discrimination against the minority 500,000 Catholic group often took place.

It is not the case that every single Protestant is a Unionist, or that Catholics had no representation at all. Nevertheless, civil rights abuses were a potent factor in stoking the violence which erupted in 1968 and 1969.

At the moment there is no government between the all-powerful *Secretary of State* and the virtually impotent 26 district councils, although the old Northern Ireland civil service departments like Commerce and Industry and Finance remain intact to work for the Secretary of State and his team of Ministers.

The previous Secretary of State, Mr. Roy Mason, made little progress towards the restoration of local government. On the more complex issue of arriving at a return of some kind of devolved government, perhaps along the lines of power-sharing as in the abortive 1974 experiment, Mr. Mason had the ground cut from under his feet because of his Labour Party's minority position at Westminster. This meant that Mr. Callaghan had to do deals (which many described as squalid) with the official Unionists, who with seven seats in the last Parliament were important in the balance of power.

Despite this gloomy catalogue of despair, however, it is true that one can now write with some optimism about Northern Ireland on the basis that if the situation is bad, it could also be a whole lot worse. Two years ago even this limited optimism would have been difficult to sustain.

The security situation is now primarily confined to one dimension in the sense that it is largely the Provisional IRA versus the security forces (although the newly emergent Irish National Liberation Army should not be completely discounted).

Soldiers in Belfast city centre during Ulster's general strike in May 1977

The Protestant Paramilitary groups, have remained quiescent. There are fewer out-and-out sectarian murders, although since over 90 per cent of the Royal Ulster Constabulary are Protestants the Provisionals' murdering of policemen could be seen as sectarian. But the "no-go" areas have largely gone, there are fewer barricades in the streets, the vigilante groups and mass riots and demonstrations have mostly if perhaps not permanently receded from the scene. The main towns, particularly Belfast, are being put together again after a decade of bombs and bullets.

In 1972 some 482 people were killed compared with the 81 last year. The Provisionals, having regrouped into the cell structure, have proved they are capable not only of waging a sustained campaign against police and soldiers in the province. Last month, for example, the number of security forces members killed was the highest since May 1973. They have also shown they can strike with bombs in Britain—witness the murder of Mr. Airey Neave—and also operate in European capitals. They have above all proved that they probably cannot be wiped out completely (the recently captured army intelligence document said they would be a *potent force* until at least 1983).

Yet these achievements are essentially negative in that if the IRA has prevented a return to complete normality it has not stopped some amelioration of the situation both politically and economically.

The police and Army say that the Provisionals' violence has probably been reduced to the minimum and imply that the current level of violence is the one which the population will have to contend with for the foreseeable future.

In its political context the Provisionals strategy failed to achieve its main goal of making Northern Ireland an election issue and thereby putting it back in the forefront of British life and increasing pressure on the politicians for a withdrawal of British troops.

It was significant that it was only the introduction of the "American card" with speeches by U.S. politicians like Mr. "Tip" O'Neill, the Speaker of the House of Representatives, which got British politicians to discuss Northern Ireland in the British election campaign. The Provisionals' bombs and bullets had little effect.

In the economic sphere, Mr. Roy Mason, just before he left office, emphasised the fact that in the past two years seven U.S. companies had made commitments to invest in the province and create 4,100 new jobs. Admittedly the cost of attracting them in grants and loans was high but they were the first major companies to set up in Northern Ireland in the 1970s. Together with investment by existing companies, job creation is probably running at 7,000 a year. This is not enough, since the Department of Commerce and Industry has estimated that to get unemployment back down to the pre-troubles level of 7 per cent would need 8,000 net new jobs a year.

But it is a start in tackling the unemployment problem. The most controversial of the seven projects, the De Lorean Motor assembly plant, is to be situated in West Belfast and could, if successful, supply 2,000 jobs in an area where adult male unemployment often touches 30 per cent. Recently Trust House Forte indicated plans for a tourist complex in Fermanagh. There is a hint of another—a 200-job factory by a U.S. concern.

Pledge

Progress on the political front might be hard to achieve. Mr. Humphrey Atkins, the new Secretary of State has impressed observers with the start he has made by watering down the Conservative Party's election pledge to restore local government in the form of a regional council or councils corresponding to county councils in Britain. Quickly grasping how provocative this could have been to Roman Catholics *if done on a majority rule or* largely unionist rule basis, Mr. Atkins has asked for a breathing space to look at ways in which local represetation can be augmented.

On the bigger issue of a devolved government any movement will undoubtedly be slow. The Unionists had little interest in talks about power-sharing with Catholics under the old government since they saw they could get concessions from Mr. Callaghan. The five or six extra seats which the province will get in the next Parliament will probably largely go to the Unionists.

Since the election a new factor has entered into the equation in that the Rev. Ian Paisley's party, the Democratic Unionist Party, increased its number of seats at Westminster to three. The apparently continuing support for the uncompromising Mr. Paisley in the province will probably deter other more moderate Unionists like the Official Unionists from even contemplating talking about a new exercise in power *sharing.*

On the other hand Mr. Atkins does come to Northern Ireland as a fresh and unknown personality. Mr. Mason towards the end had thoroughly fallen out with the main Catholic moderate group, the Social Democratic and Labour Party, as well as having had prickly relations with Dublin. The Government of the Republic wants to force the pace on Northern Ireland and could find in dealing with Mr. Atkins there are two factors working in his favour.

First, when all is said and done, the Conservatives under Mr. Heath and Mr. William Whitelaw made the one serious attempt at a political solution in power-sharing. Perhaps it is easier for the Conservatives as the party traditionally aligned with the Unionists to bring pressure on them. Secondly, Mr. Atkins works for a UK Government which has an overall majority and so is not obliged to make the kind of deals forced on Mr. Callaghan. With a likely five-year run, Mr. Atkins must be judged as having as good a chance as anyone at getting somewhere with Northern Ireland's seemingly intractable political problem.

NORTHERN IRELAND II

Trials facing new supremo

HUMPHREY ATKINS will undoubtedly want to achieve what his immediate predecessor, as Secretary of State for Northern Ireland, Roy Mason, failed to do—namely progress towards a political solution in N. Ireland. He is going to be confronted, however, with a new set of problems compounding the already daunting political impasse. These arise from the new political configuration left by the last general election.

In the old Parliament, the Official Unionists held seven of the 12 Northern Ireland seats. They are the rump of the old *Ulster Unionist Council which* split in 1973 because of the participation of the late Brian Faulkner (later Lord Faulkner) in the power-sharing experiment. (Faulkner's party, the Unionist Party of Northern Ireland, has now shrunk to the point where it has no representation at all at Westminster.)

The Rev. Ian Paisley held one seat on behalf of his Democratic Unionist Party. Ulster Unionists held one seat and an Independent Unionist brought the tally to 10. The other seats were held by the Social Democratic and Labour Party and an Independent Republican.

The Official Unionists in the last Parliament not only seem to have held sway over the other *three Unionist members in* terms of real politics, but as Mr. Callaghan's minority Government gradually lost the support of first the UK Liberals and then the Scottish Nationalists, the official Unionists came to be a very important factor in the balance of UK Parliamentary power.

It is now clear that the Callaghan Government did a "deal" with the Official Unionists in return for the five or six extra seats Northern Ireland will get in the redistribution which will precede the next election. The Official Unionists supported the Government—at least until the final vote of confidence.

In the face of the power held by the Official Unionists Mr. Roy Mason's plan for a 78-member non-legislative assembly, with a system of select committees elected on a proportional basis, had virtually no chance of success.

There was little reason for Mr. James Molyneaux, the *leader of the Official Unionists* at Westminster, or his deputy, Mr. Enoch Powell, to discuss power-sharing with the Catholics under Mr. Mason's scheme when they had such a hold over him. Their leverage at Westminster merely reinforced an already deeply ingrained reluctance even to contemplate the idea of power sharing.

In theory Mr. Atkins should have greater latitude than his predecessor since there is no longer a hung Parliament at Westminster.

However, in the May election Mr. Paisley's DUP increased its seats from one to three at the expense of the Official Unionists.

It is always difficult to know exactly what Mr. Paisley stands for except that he is a hard-line extremist even by Unionist standards and totally opposed to power-sharing. His party won only 10.6 per cent of the popular vote, as opposed to the Official Unionist 36.6 per cent.

However, he has again demonstrated that there is a hard core of Unionism which supports him and he thus has a considerable veto potential over the much-chastened Unionists. For different reasons they are just as unlikely now to want to discuss power-sharing as they were in the last Parliament.

If, as is being predicted, Mr. Paisley *wins one of the three* seats in the European elections then his hand will be further strengthened. Mr. Atkins will therefore clearly have his work cut out to get any favourable noises from the Unionists.

On the Catholic side of the divide he should get a favourable response from the Social Democratic and Labour Party (SDLP), the mainly moderate Catholic group which has always been in favour of power-sharing and in constituency terms is really the only Catholic grouping that matters. In the general election it won 19.6 per cent of the popular vote, easily swamping the more openly Republican groups like *the Irish Independence Party*, the Republican clubs and Independents like Mr. Frank Maguire, MP for Fermanagh—South Tyrone.

The problem with the SDLP has been the great personal animus which developed between Mr. Gerry Fitt, the party's leader and its only Westminster MP, and Mr. Roy Mason. Mr. Fitt found Mr. Mason far too favourable to the Unionists for his mind. He and other SDLP leaders like Mr. John Hume, who is standing for Europe, are increasingly looking south to Dublin for support in the political vacuum where they find themselves. They should be able to deal more happily with Mr. Atkins, who has no track record at all in N. Ireland.

Stewart Dalby

Humphrey Atkins

PROFILE

MR. HUMPHREY ATKINS, the new Secretary of State for Northern Ireland, represents a now established Tory tradition. Like both Mr. William Whitelaw and *Mr. Francis Pym, who held* the office during the previous Tory administration, Mr. Atkins was the Party's Chief Whip before moving on to Northern Ireland.

Mr. Atkins also has at least one thing in common with Mr. Roy Mason, his Labour predecessor. Mr. Mason's success in containing the security situation stemmed partly from his knowledge gained as Secretary of State for Defence. Defence is also Mr. Atkins's subject. Indeed had he not gone to Northern Ireland he was a hot tip for the top defence job.

Persuade

The point about having been Chief Whip is important. The post implies that the holder should be a good listener and a good persuader, clearly qualities that are required in Northern Ireland. In Mr Atkins's case it may be particularly significant that he is one of the very few members of Mrs Thatcher's Cabinet who continued to hold the same job throughout the period of Tory opposition from 1974-79. He was Chief Whip in the latter stages of Mr Heath's Government and Opposition Chief Whip until the general election. An ability to serve in the same post under both Mr Heath and Mrs Thatcher is not to be *underestimated*.

It is in the role of good listener that Mr Atkins as Secretary of State has been impressive so far. The view now taken in the Northern Ireland Office is that the wave of violence that coincided with the British election campaign is over. The Provisional IRA will need time to plan before it can organise any more spectacular attacks. That time is valuable to the British authorities because it should mean that Mr Akins will have the opportunity to play himself in before having to take any major decisions.

The Secretary of State is using the time by hearing what all the parties concerned have to say—the military, the police and of course the political groupings in Northern Ireland. Soon there will be a second round of talks in which Mr Atkins is expected to be rather more pressing in asking questions. But no initiative, and certainly no attempt to bring the parties together, is thought to be likely before October. Only then will the listener seek to turn persuader.

Even the pressure from Dublin for an early move by the new British Government seems to have died down. One of the reasons is plainly the realisation that the Government has a sufficiently large overall majority to be able to afford to *try to play it long. It is also* recognised that a mistaken initiative now could lead to all sorts of trouble later.

Rather more optimistically, it is argued in London that even the Provisional IRA must be going through a period of reassessment. After all, the violence during the election campaign did not lead to any *greater calls for the British* to withdraw. On the contrary, it may have strengthened the will to stay.

Yet if that analysis is reasonably encouraging and means that Mr. Atkins has breathing space in which to work out his policies, it should be added that *few people have any idea as to* what those policies should be. It is not that the British Government is unreceptive to *new thinking. Almost any new* idea would be welcome. But the fact is that few ideas are available. British policy is likely to remain one of containment for the forseeable future, perhaps with a few attempts at bringing the parties together, yet without any great confidence that a political solution can be found. No one yet has been able to think of anything better.

Malcolm Rutherford
Political Editor

Humphrey Atkins

Economic goals still a long way off

AT THE TIME, nearly two years ago that the former Northern Ireland Secretary, Mr. Roy Mason, announced a £1bn package of incentives to attract new investment, it looked as if the province had finally flopped, exhausted, in its attempts to mount a downward-running escalator and was being carried inexorably *towards 20 per cent unemploy*ment and industrial decline.

It has since gathered itself up and is once more climbing furiously; but the escalator is still fast-moving and on many estimates it will take a decade or more, if ever, before the province reaches its twin economic goals of a balanced industrial structure and a more acceptable level of unemployment than the current rate, which at some 11 per cent is roughly twice the UK national average. It also remains the poorest region of the UK, with per capita income, at £2,100, still only four-fifths of the national figure.

Part of that gap is explained by the fact that the province has a smaller active workforce than the mainland—some 36 per cent against 43 per cent—but of that workforce of 550,000, the numbers without a job are stubbornly refusing to shift below 60,000 and unemployment remains a problem as intractable as—and a prime cause of—the province's continuing sectarian and political problems.

Shake-out

Yet despite a shake-out in manufacturing employment approaching 18 per cent during the past eight years as the economy has struggled to find new markets and diversify out of its traditional overdependence on textiles, shipbuilding and the aircraft industry, the problem is not one of dwindling job opportunities. Indeed, throughout the sixties and early seventies new jobs were being created at an average rate of 3,000 a year, and after a hiccup in 1966 and part of 1977, the rate of job creation has grown *—with the help of the incen*tives package—to the point that last year's new jobs, or commitment to jobs, topped the 7,000 mark.

Much of the problem lies in the province's swiftly-expanding population. Its rate of growth, at 6 per 1,000, is 10 times that of the mainland's and a major mitigating factor of the early seventies—a net outward migration which at the height of the "troubles" was running at 16,000 per year, more recently has dropped back to 1960s levels of 7,000 or so. If Northern Ireland were to follow the trend of female employment on the mainland, where more than 50 per cent of women work compared with the province's 40 per cent, at least 25,000 more women may be waiting in the wings for jobs. Even if the shake-out in manufacturing industry is almost complete, as many think it is, rationalisation in the province's large and important agricultural sector is likely to continue to decant 2,000-3,000 workers into the labour market each year.

It is small wonder that the incentives package — strengthened just before Christmas by an extra allocation of £50m to the Northern Ireland Development Agency, one of the province's two providers of Government investment funds—was welcomed, indeed regarded as vital, by the province. Even so, despite the incentives being among the most generous available anywhere—at best, an incoming company with the right proposals needs virtually no money of its own to set up in business—hopes at one stage of bringing unemployment down to 7 per cent by 1981, which would have involved the creation of 40,500 jobs, simply cannot be realised.

But it is no small achievement that the decline has at least been halted. Indeed there is an underlying confidence that if the successes in attracting new investment of the past 14 months can be sustained—an open question dependent like everything else on the political situation—there is the prospect of real progress.

Domestic industry currently is investing at a fairly satisfactory level of about £100m a year (one-third of that supplied by Government) and even if the economy inevitably cannot get fully afloat without an upturn in the economic tide of the UK as a whole, it still presents an altogether far less stark picture than during the recession of 1974-76, when employers who could now be expanding cut back heavily or who, like Rolls-Royce, simply rolled up the carpets and left, when Harland and Wolff looked like facing closure and the pall of violence appeared impenetrable.

The three largest industrial sectors remain textiles, shipbuilding and aerospace. But it is some indication of the province's success in widening its industrial base that whereas in the sixties they accounted for almost half industrial employment, they now account for one-quarter. Textiles are just *about holding their own*, despite both the run-down of the linen industry and the developing nations' challenge in the man-made fibres sector which predominates in Northern Ireland. A few hundred jobs have been lost in the past 12 months but no further serious deterioration is expected.

Aerospace effectively means Shorts, and the growing sales of its 330 commuter aircraft, its expectations of a reasonable share of component production for the new generation of commercial jets to which the international industry is gearing itself and increased sales of missile systems should help keep it on the expansion course to which the Northern Ireland Department of Commerce has committed a further £60m and which should see some increase in the 6,000-strong workforce.

Against the background of a continuing depressed world shipbuilding market, it is Harland and Wolff which faces the most acute problems. But even here Sir Brian Morton, chairman of the State-owned yard, said at the end of last month that talks were progressing with several purchasers and the current employment level of 9,000 might be maintained.

Meanwhile the construction industry faces continuing job losses. Past growth in the private services sector appears to have been checked and the recent changes at Westminster will ensure that there will be no growth in the public sector.

Pressures

While agriculture still accounts for 13.5 per cent of total employment, the pressures towards rationalisation and specialisation in the face of competition from other European Community producers in mainland Britain, its largest market, could eventually, displace a total of 40,000 jobs from the land.

Thus the province to some extent is still losing on the *restructuring swings what it has* been gaining on the job creation roundabouts, a fact reflected in output figures. In the first quarter of this year the overall industrial output index stood at 105 compared with its 1975 base, and manufacturing output at 101—both below the peaks recorded in 1973.

Hence the importance of new inward investment, and even if the Northern Ireland Economic Council has been right to warn against "any early euphoria" about the renewed foreign interest in the province, the investment agencies' track record particularly in the past 14 months has been pretty good, if in one area *controversial*.

The inflow has been almost exclusively North American. Since March 1978 seven new companies have been arriving on the scene to bring the total of U.S.-owned companies operating in the province to 33, representing a total investment of £550m and present employment of 17,500 with a full potential of 21,500.

That they have been jobs dearly purchased is not in doubt, none more so than those at De Lorean, the sports car plant now taking shape at Dunmurry in a high unemployment area of West Belfast, where it is planned to produce 30,000 plastic and stainless steel *two-seater cars a year by 1982*. The factory by then should be providing at least 2,000 jobs.

Doubts have been expressed about the project's viability and there has been criticism that the cost to the Government of £26,000 per job is too high. The company and its public backers reject the viability doubts, point out that work is proceeding to schedule and that there should be a substantial claw-back to Government not so much in loans but under a royalties agreement on sales.

In any case, the Department of Commerce asserts, "what matters is not what's being pumped out but what's coming back in—effectively we're getting six years' purchase of unemployment and lost tax benefits." The Government also argues that there should be a substantial multiplier effect on employment through component supplies.

In incentive terms De Lorean was made an offer it almost could not refuse. But at the same time Northern Ireland officials were able to point to other arguments in favour of setting up in the province.

Productivity, in comparison with the rest of the UK is good, and has consistently risen faster than on the mainland. Northern Ireland can point to a much better work-days-lost record than either the UK or its chief competitor for foreign investment, the Republic of Ireland (although the latter's problems have been concentrated in the public, rather than manufacturing, sector). The North also can point to a better entrenched industrial tradition than in the South, and an orientation towards exports which, on a per capita basis of something over *£1,000, is some two-thirds ahead* of the UK and almost double the figure for the Republic.

Among the disincentives, transport costs are higher when compared with a base on the mainland, and a number of gaps inevitably still exist in the industrial base. While energy costs have been cut substantially as a result of a £300m write-off of the Northern Ireland electricity service's debt — industry is overwhelmingly reliant on electricity—there is agitation for a decision, still with Whitehall, on bringing a natural gas pipeline from Scotland as an alternative, or at least to replace the existing gas produced expensively from oil.

In the end, however, progress made in resolving sectarian and political issues will be the ultimate arbiter of recovery. And that means a continuing attack on the disparity which exists in job opportunities between Protestants and the less favoured Catholics; despite the introduction of direct rule and attempts to remove positive dis*crimination* with the setting up of the Fair Employment Agency (FEA) two years ago.

In some Catholic areas unemployment is 30 per cent or more and the FEA estimates that overall the rate of unemployment among Catholics is two and a half times that for Protestants. There has been criticism that new investment projects have largely gone to Protestant areas, muted only partly by the De Lorean decision to locate next to the heavily depressed Catholic area of Twinbrook.

Worse, with the retreat of the two communities into their respective ghettoes, and an unwillingness to travel through potentially hostile areas to work, the polarisation between the two communities and the disparity in job opportunities has become self-perpetuating.

Achieving a return to the middle ground is still the most challenging task of all.

John Griffiths

Industry: no choice but to cling on

N THE years to come ıousands of people in N. ·eland will be thanking over-:eas investors for their new ›bs. But for most of the work-ıg population in the region ıe immediate concern is hether existing industry has ıe ability to cling on during a eriod of sluggish economic rowth.

Over the past eight years the umber of jobs in manufac-ıring industry has dropped by :ound 18 per cent. The province has received special treatment from the government because of its high unemployment. A variety of measures *helps to keep workforces intact* while industry tries, through diversification and the exploitation of new markets, to overcome the short-term problems.

The Northern Ireland Department of Commerce is reasonably encouraged by the underlying level of investment. Leaving out the large job-creating expansions and the much publicised new projects from overseas, about £100m is being ploughed into indusfry annually, of which about £30m *comes from government by way* of standard capital grants.

N. Ireland's two engineering mainstays—the Harland and Wolff shipyard and the Short Brothers and Harland aircraft manufacturing concern — together employ about 10 per cent of the 142,000-strong manufacturing labour force. Both are *now fully owned by the* Northern Ireland Department of Commerce but future employment trends in each are likely to be quite different.

The shipyard has received £125m from the public purse since 1966. This includes a 1975 agreement under which the Department is committed to advancing the company a maximum of £60m to cover losses on work on its books. Harland and Wolff's net deficit in 1977 was £1.9m as against the previous year's profit of £2.6m and it seems clear that more funds will have to be made available.

Since the 1950s the shipyard's complement has dropped from 25,000 to 8,000. With the world's shipbuilding order book unlikely to regain any of its former strength until into the 1980s, a further reduction in employment and continuing losses are inevitable.

The trend in the shipyard is away from the very large crude carriers of the mid-1970s towards smaller more specialised vessels. The present order book *consists of two products carriers*, two liquid gas carriers, a bulk carrier and three ferries for British Rail. *A fourth ferry* may follow shortly and this market could well bring further work as long as quality is maintained and delivery dates are met.

The engine works is protected to some degree by the joint venture agreement between Harland and Wolff and MAN of West Germany which enables medium speed diesel engines to be made in Belfast. The company's diversification programme has thrown up novel projects like the manufacture of glass fibre tops for Japanese-made Daihatsu jeeps.

Reputation

All three parts of the Short Bros. business have experienced growth and the 6,200 strong labour force should increase modestly in the next few years. The company reports increasing *success with the sales of the* 30-seater SD-330 aircraft of which 38 have been sold. The U.S. has proved its best market but Shorts has this year turned its efforts towards Australasia as well and is stepping up marketing and support programmes in the area.

The expansion of the commercial aircraft market in the 1980s will bring work to the company's aerostructures division. *It has gained a solid* reputation with major manufacturers like Boeing and Lockheed which take components from the Belfast factory. Shorts has consolidated its position as the sole contractor for the podding of the Rolls-Royce RB-211 series engines.

Sales of its guided missile *systems—Tigercat, Seacat and* Blowpipe—helped raise overall turnover from £36.6m to £44.4m in the year to August 31 last. The company's pre-tax losses nearly doubled to £9.75m. Heavy development costs were undoubtedly a factor. But the other main element—prolonged low productivity arising from difficulties *under successive pay* policies—has been removed.

The Department of Commerce last December approved Shorts' five-year corporate plan and is committing £50m to aid the re-equipment programme. The company's recent agreement with the Piper Aircraft Corporation of the U.S. to assemble Tomahawk two-seater aircraft in Belfast has exciting possibilities for development.

In spite of the well chronicled decline of the region's linen industry, its position is now more stable and it contributes significantly to the textile sector workforce, which stands at 32,000 or 22 per cent of manufacturing employment. Hope of an up-turn in this traditional in*dustry lies in the EEC's inten*tion to develop European linen production using internal raw materials and expertise.

The major component of the textile sector is man-made fibres. A third of UK output comes from Northern Ireland where the six majors — Courtaulds, ICI, Du Pont, British Enkalon, Monsanto and Hoechst — have so far survived largely intact from the onslaught of low-cost producing nations. There have been only two noticeable reductions in employment — at Courtaulds and ICI. Monsanto's 630-job Coleraine factory manufactures acrylic fibre and therefore escapes the company's imminent withdrawal of nylon production from Europe.

The food processing industry, based on Northern Ireland's huge agricultural output, has seen an unsteady period. An array of Government subsidies is paid, the most important of which comes through the Meat Industry Employment Scheme *which has supported more than* 3,500 jobs at a cost of £40m in the past year. The measure was introduced to offset the effects on producers and processors of UK policy on the Green Pound. It acts to close the gap between market prices in Northern Ireland and in the Republic of Ireland and forestall the diversion of fatstock to the Republic with the consequent heavy loss of jobs in the processing plants *which that would bring.*

Monthly unemployment figures continue to give a disheartening picture of the construction industry. With public sector expenditure planned to remain static, few of the major operators see the prospect of any pick-up. Private demand too appears unlikely to show any substantial improvement. The numbers employed, according to the latest estimate, are likely to fall from the 1977 total of 38,000 to about 32,000 by 1981.

Spotlight

The arrival of the De Lorean sports car project instigated by former General Motors vice-*president, Mr. John De Lorean*, has thrown a spotlight on the Northern Ireland car components industry. About a dozen companies are involved, most of them associated with major U.S., British or European concerns. Nearly half of them have undertaken expansion in the past three years. Among the products *are silencer systems for* Chrysler and BL, carburettors and distributors for Ford, and wiring assemblies.

The growth in employment in the private services sector is levelling off and crude projections show that although the numbers involved in retail distribution should continue to fall, the 1981 overall total will be the same as in 1977. Public sector employment is expected to rise by 11,000 in the same period but much of this will be part-time, mainly female, employment. As part of the effort to stimulate new investment and expand job opportunities in the private services, the government is examining ways of encouraging new and existing manufacturing firms to locate marketing, accounting and other management services in the province.

A growing number of engineering outfits are among the Northern Ireland companies finding work in world oil exploration and production markets. Hughes Tool, TRW Mission and Cameo—three big names in the oilfield equipment business—have manufacturing facilities in the area. With commercial possibilities in the Irish offshore sector increasing, the £50m generated by the 70 companies involved during 1977 is set to rise markedly.

Given the influx of new manufacturing companies and the ability of existing producers to adapt to new markets like oil related equipment, the province is clearly on a course to broaden its industrial base and protect itself from the nose-dive of traditional sectors—but it will take time.

Alan Watson

Optimism on De Lorean

ARLY LAST month the first eelworks began rising above ıe 72-acre site at Dunmurry, 'est Belfast, from which the e Lorean Motor Company ans to produce at least 30,000 ›orts cars a year by 1985. The 15m project *is both the largest*, ıd the most controversial, of ıe Government-aided foreign ıvestments which have got ıder way in Northern Ireland nce the introduction of a £1bn ıckage of extra incentives in 177.

The Government is pumping 52.5m into the De Lorean proct via its two investment ;encies in the province. The ɜpartment of Commerce has ade available £28m in capital ɪuipment and training grants -most of De Lorean's intended orkforce of at least 2,000 will ıve to be trained from scratch -as well as £6.8m in loans.

The Northern Ireland Devepment Agency, which ɜscribes itself as being effectcly a "high risk merchant ınk," has taken a £17.7m ɪuity stake, which the comıny has the option to buy back any stage.

In return for its money the ›vernment gets, apart from an repayments, *royalties of* 85 per car up to the first ,000 produced, and then £45 ·r car for as long as there mains any Government money not just the development ency's—tied up in the proct.

Register

More importantly, it should t at least 2,000 people off the ıemployment register, all ıing well, and this figure ıuld rise to about 3,400 if, as any expect, further models her than the gull-wing-door MC 12 two-seater are deveped. Production of 35,000-),000 cars per year is underood to be achievable without ajor spending on increased ant capacity.

That, however, is only the .rect potential jobs impact: De orean and the agencies have ready explored component ıpply possibilities with a ımber *of Northern Ireland* ›mpanies and there are hopes ıat a substantial number of ›bs will be created by a multilier effect.

Since the project was first anounced in the autumn of last ɜar, however, it has met with oubts and criticisms on a umber of scores. Some critics ave maintained that the risks re too high even for NIDA's igh-risk activities; that there ımply is not enough room in ıe sports car market for a *iece of exotica to be produced* ı such quantities—De Lorean's lanned production is ten times ıat of Lotus, for example.

It has also been said that the eething problems of a new .lant, a new product and a new abour force would prove inuperable, and that in any case he cost of creating De Lorean obs—at £26,000 per job—is imply too high.

De Lorean itself prefaced a ırospectus issued this spring imed at tying up more investng dealers (the 400 U.S. dealers ɔeing appointed are each ·equired to take a stake in the ·ompany and commit themelves to buying 50-150 cars ·ach) with a warning that a ıigh degree of risk is involved ınd that only those able to ıfford a total loss of their ıvestment need apply.

Yet nearly 300 U.S. dealers ıave been signed so far, most with a stake of at least $25,000; ·rection of the plant is on ;chedule; and recruitment is noving ahead to a target of 1,000 employees within a year ɔf the start of volume produc-.ion, which is expected in the atter half of 1980.

Prototypes are undergoing ɗetailed development work at Lotus Cars' Norwich works under a development agreement signed between De Lorean and Colin Chapman late last year.

The management team, now complete, comprises men mostly with a proven track record in the U.S. and European motor industries; *and NIDA, which* retains two seats on the De Lorean board, professes itself convinced by the De Lorean market research which has led the company to claim it should be able to pick up 12 per cent of the ½m-a-year U.S. "sporty car" market.

As the project has moved from the drawing *board to site* works since the start of this year, so the criticism gradually has become more muted; but only time will tell whether the company and its backers, or the doubters, are right. Meanwhile, NIDA insists that even if £26,000 per job does look high—"it's got to be remembered that at least we're buying *six years'* unemployment payments and lost tax benefits."

What the De Lorean project does demonstrate is the *strength of the government's* commitment to job creation in the province. Northern Ireland has a much higher level of investment aid than any other part of the UK and for the past two years has been able to offer higher incentives than the Irish Development Authority, the rival investment-seeking body in the South.

There are now 33 U.S.-owned companies operating or planning to operate in Northern Ireland. Between them they at present employ 17,500 people—or 13.5 per cent of the manufacturing workforce—and their full jobs potential is about 21,500. Together they represent an investment value of £550m at current prices; and, significantly, one fifth of this investment has come within the past year or so.

In March of last year AVX of New York announced a 600-job £10m project to make electronic capacitors in Coleraine. Two months later General Motors unveiled a £16m plant to make 2m seat belts a year in East Belfast (entailing up to 600 jobs). Then followed Coronary Care Systems of New York with a heart machine first developed at Belfast's Royal Victoria Hospital (200 jobs); the De Lorean project and, the *last of 1978, a carbide cutting* tools plant by Adams Carbide Corp. of New Jersey.

The momentum has been maintained this year with the announcement in March of a joint venture between NIDA, Clabir Corp. of Connecticut and Newtownabbey-based Everton Engineering which will see Everton Engineering re-equipped and expanded with perhaps 100 extra jobs. The latest, and one of the biggest projects, is a fork-lift truck plant at Craigavon to be developed by Hyster of the U.S. which involves a £30m investment and ultimately 600 jobs.

While the province's generally good labour relations and the industrial tradition of its work force are considerations for a company investigating start-up sites, it is the sheer size of the financial incentives that are likely to sway most companies.

Grants

They include outright grants by the Department of Commerce of 30-50 per cent on buildings, machinery and equipment; low-rental factories; grants towards start-up costs which can be individually negotiated; low-interest loans for general purposes which can be free of interest *for a period*; interest-relief grants for up to seven years on funds borrowed commercially; up to 100 per cent of plant and equipment transfer costs; relocation allowances for workers, training grants and weekly wage subsidies.

There are also extensive tax allowances, *remission of local* authority taxation of 75 per cent, and research and development grants of up to 50 per cent, limited to £½m for any single project. In the past year, about 30 R and D agreements have been lined up with both *newly-arrived* and well-established companies.

Just before Christmas, NIDA's budget ceiling was raised from £50m to £100m, further strengthening its own job-creating role.

Armed with this formidable package of incentives and support operations—these include a manpower services department currently training or retraining 3,500 people a year and a low-cost Industrial Science Division offering technical advice to industry—Northern Ireland's representatives have been pressing the province's case in Europe, the U.S. and the Far East.

So far, new investment has been overwhelmingly American and even there, as one NIDA *official pointed out*, "we have barely scratched the surface."

But with Mr. Humphrey Atkins, the new Northern Ireland Secretary, indicating that there will be no demotion of industrial development from its status as the top priority for the province, and subject to a continuing low level of violence, *there seems no reason* to believe that the tide of international investment which started flowing towards the province last year will start to ebb for some time to come.

John Griffiths

Tourism on a tightrope

TRUST HOUSES FORTE announced last month that it is to develop a 200-bed holiday chalet complex on a 40-acre site near Lough Erne in County Fermanagh. It is the first major investment in tourism by an operator from outside the province since the start of the latest 10-year bout of "the troubles" and provides firm evidence that the fingers-crossed recovery in tourism which first got under way in 1977 is accelerating.

At the same time as the complex was unveiled Mr. Giles Shaw, the new Industry and Tourism Minister, announced a major review of Ulster's tourism industry to assess its potential for further development and the means of achieving it, its scope for reducing the prevailing high level of unemployment and the methods by which tourism is promoted.

So, although tourism officials are under no illusions that a recovery could be sustained in the face of any prolonged renewal of violence, there is now a discernible confidence that at long last the province can be put back on the international tourism map.

Just how badly the last 10 years of violence have hit the industry is still reflected, however, in the relative emptiness of hotels in the holiday areas. On a recent Sunday evening in the lofty dining room of the Northern Counties, a grand old lady among hotels on the north-west coast, just one out of 38 tables were occupied.

Portrush, which houses the Northern Counties, and the similar seaside town of Portstewart nearby used to be, with Bangor, the centre of a brisk holiday business based heavily on the Scots and northern English who flocked westwards on the ferries. But as the "troubles" grew so the Scots and English disappeared and up to the last couple of years the hotels, bars and restaurants were kept ticking over largely by domestic holiday-makers.

To some extent that is still the case. But increasingly the province has been drawing in Europeans and North Americans to fill the vacuum left by the mainland British.

That there is a revival of interest in the province by tourists from outside is reflected in Northern Ireland Tourist Board figures showing that last year the total number of visitors rose by 27 per cent to 628,000 and that their spending was up by more than a third to £43.1m. But in several ways the figures tell less than half the story.

The Tourist Board's term "visitors" covers businessmen and those visiting relatives, as well as "uncommitted" holiday-makers. Although last year 194,000 people from the Republic of Ireland stayed more than one day — a third more than in 1977 — only 5 per cent were on holiday. The same percentage applies to the 375,000 arriving from Britain — but here the Tourist Board lumps together both British holiday-makers and European and North Americans arriving via Britain, so it would appear that the British are still particularly conspicuous by their absence.

Additionally, the recovery is from a small base; of the 1m visitors who in 1968 (the year before the "troubles") contributed £28m to the economy, nearly two-thirds were holiday-makers; by 1972, at the height of the troubles, numbers had dropped by more than a half to 407,000 spending only £15m, of whom virtually none were holiday-makers. So the province still has a long way to go before it gets back even to the level of 1968 earnings, which in real terms today would be worth £110m or more.

That the Board is making headway, however, can be discerned in the actual number of holiday-makers. The 17,000 who came from or via Britain last year represented more than a doubling over 1977; more also arrived from the Republic of Ireland, and for the first time the NITB has been able to pin down the number of staying visitors from abroad entering via the Republic. Last year the figure was 30,000 and this is believed to be half as many again as in 1977.

Tourist Board officials say in short that they are busier now than at any time in the past 10 years. The NITB's budget this year has been raised by half to £1.5m and much more of its resources is being devoted to promotion than previously, when most effort was expended in improving facilities in the hope of better times to come.

Since April 1 it has had offices open in Frankfurt and New York to cope with higher demand, the latter laying stress on holidays for Americans tracing ancestral roots. While West Germans have been showing most interest among Europeans, there is a growing market in Belgium, Switzerland and, most recently, France.

The Board admits that the British market is still "desperately sensitive"—but the fact remains that three years ago not one single travel agent in the world was featuring Northern Ireland holidays. Now 31 major tour operators are featuring a Northern Ireland holiday of "some type."

Searches

Inevitably the kind of holiday on offer tends to have specialised appeal—to the fisherman, the golfer and sailor; to those interested mainly in the outdoors. There is not much choice. Industrial Belfast always lacked charm. Londonderry's walled city and history once made it of interest. But today both are to be endured, not enjoyed. Their native populations now give as much thought to the barricades and body searches as people elsewhere give to finding a parking spot. But the undercurrents of tension still flow strong.

In total contrast the convivial atmosphere in the crowded bar of Daft Eddy's, adjoining a new sailing school and against the picturesque backdrop of Strangford Lough, might belong to another world—not Sketrick, a mere 30 minutes' drive from the centre of Belfast. The same can be said of most of Northern Ireland's small towns and villages set among its mountains or scattered along the loughs which carve the province into a kaleidoscope of often beautiful land and waterscapes. It is a message which the Tourist Board is trying hard to put over in its five-year project to bring 1m visitors a year back to the province.

Northern Ireland has 300 miles of coastline, with many fine beaches and some spectacular coastal drives. The roads network throughout the province is good and traffic jams in the holiday regions almost unknown. Camping, pony-trekking, cruising, sailing and golfing facilities are distributed throughout the province—tourism officials make considerable play of the fact that 60 venues "make Northern Ireland a 1,000-hole golf course with farms and villages scattered through it."

The two main inland loughs, Neagh—the largest in the British Isles—and Erne, with its mountainous backdrops and 154 islands, have become increasingly popular for cruising, hardly surprising given that one can plot a circular route of 100 miles as well as not having to fight for mooring space and land facilities as in other perhaps better known centres in the South and in mainland Britain.

But perhaps the biggest attraction is fishing—sea, coarse and game. Few anglers would dispute the Board's claim that "we've got the best coarse fishing in Europe."

It is hoped that fishing might prove a catalyst in changing British attitudes towards returning. For the first time in nearly 10 years British anglers are starting to come back in numbers. The last Benson and Hedges angling festival had trouble getting 140 entries; this time round there are 250; it was sold out in three days with a waiting list of 100.

Nevertheless tourism is unlikely to be—at least for a long time ahead—a contributor to the economy on anything like the scale of that in the Republic, where tourist receipts last year were £300m. The present infrastructure is too small. There are only 140 registered hotels, of which four are A-star, the province's top rating. To those can be added 500 guest and boarding houses and perhaps 200 holiday farmhouses. Last year's occupancy rate of 35 per cent (up 2 per cent from a year earlier) still leaves plenty of slack, but with their eyes on the longer term, tourism officials are anxious to see the current hotel capacity of 3,500 bedrooms doubled over the next few years.

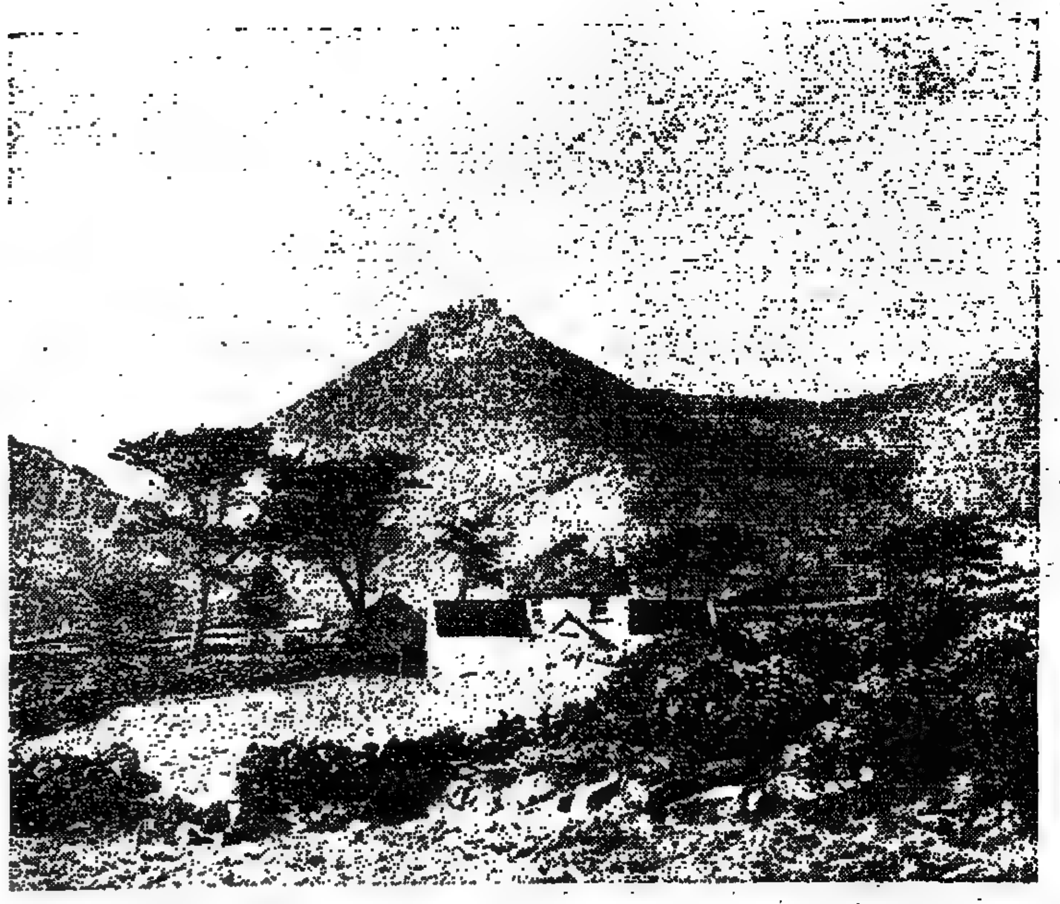
To this end the NITB is encouraging hotel and leisure activity operators to extend and improve, helping in purchases of equipment such as boats and channelling Department of Commerce grants of up to 50 per cent on new hotel accommodation. There are currently perhaps 1,500 new bedrooms at various stages in the pipeline.

Travel to the province still presents problems for overseas holidaymakers, given that there are no direct ferries or services to Europe. Aldegrove airport is soon to undergo improvements, but British Airways at least has indicated it is unlikely to consider direct flights from Europe all that soon.

The NITB hopes, however, that some smaller carriers might be persuaded and there is talk of a possible 40-seater aircraft run between Amsterdam and Aldegrove.

Meanwhile, there is the hope that the growing trade from and via the South will continue to expand, on the basis that the Republic's Tourist Board's policy is to promote, through its extensive international network, Ireland as a whole. That is a policy which the NITB not unnaturally heartily endorses, even if one official's remark that "there's no such thing as the border with Ireland" might meet with objections from certain quarters.

John Griffiths



Quietness away from the troubles: a scene in the Mountains of Mourne, Co. Down

Farms specialise as numbers dwindle

The snippets of conversation around the cattle pens at last month's Royal Ulster Agricultural Society show in Belfast would have revealed to the eavesdropper just how times have changed in Northern Ireland agriculture.

The standard of show entries still came in for comment. But farmers who had collected from all over the region for their annual outing were more anxious to exchange opinions about the EEC's Common Agricultural Policy and the British Government's preparedness to continue with the subsidies which help N. Ireland overcome the consequent problems.

Agriculture is big business for the province. It gives work to 13.5 per cent of the working population, uses 80 per cent of the land and in 1978 is reckoned to have had a gross output of around £490m.

Some 90 per cent of this was from livestock and livestock products, compared to 65 per cent in Britain. It is in this sector that the difference in the level of the Green Pound between Northern Ireland, as part of the UK, and the Irish Republic poses the biggest threat.

The Republic has adjusted its Green Pound rate to obtain the best advantage for its export trade. Thus, movements of Irish beef to the UK attract a high MCA (Monetary Compensation Amount) subsidy which is not paid on the internal trade between Northern Ireland and the rest of the UK.

Measures

As a result buyers in the Republic had been able to offer higher prices than their Northern Ireland counterparts and until special measures were adopted large numbers of cattle were taken south across the border — some legally and others by smugglers. Subsequently MCAs on cattle between North and South have been suspended and in order to protect jobs in N. Ireland's meat plants a special Meat Industry Employment Scheme (MIES) is in operation, enabling plants in the province to pay competitive prices and thus maintain throughput and employment. During the 12 months to March 31 last MIES cost £42m and is estimated to have preserved more than 3,500 jobs.

Northern Ireland's agricultural resources are scattered over a host of small individual enterprises. There are almost 32,000 farms with an average size of 25 acres of crops and grass. Their numbers are dwindling—by more than 13,000 since the start of the 1960s—as the smaller uneconomic units have amalgamated with larger ones. As the farm numbers have fallen away the type of farming has grown increasingly specialised and gradually replaced the traditional mixed activity holdings.

The industry employs about 20,000 workers in addition to 40,000 owners and wives. Another 19,000 work in the ancillary industries like processing and feed manufacture. Since 1971 working owners have dropped in number by 4 per cent and the total of full-time male workers by 40 per cent.

The area's contribution to feeding Britain's population is substantial. About 20 per cent of the bacon, 13 per cent of the fat cattle and 10 per cent of the eggs produced in the UK come from Northern Ireland.

The total net worth of the industry increased fourfold between 1968 and 1977, partly because of new investment, but primarily because of the appreciation of land, livestock and other assets. Bank advances and trade credit remain the two main external sources of short-term capital but the most important source of investment at farm level has always been retained profits.

Farming expenses for 1978, when they are calculated, are expected to show a further hefty rise, so the net income of the industry may not have changed a great deal over previous years.

The books for 1977 show how rising costs have hit the land. Against that year's gross output of £425m had to be set expenses of £381m, with the cost of feedstuffs up by 18 per cent and other marked increases in the price of fertilisers and machinery. The result was a reduced net income of £45m, about £7m below 1976.

A continued increase in the size of the region's dairy herd, combined with a substantial rise in milk yields, led to milk sales from the farms in 1977 passing 1bn litres for the first time. Milk production, like meat, has its problems and the Northern Ireland Department of Agriculture is spending about £12.5m a year to enable the Milk Marketing Board to maintain returns to producers at levels not too far short of those in Britain.

The need for this payment arose because of the ending of the UK milk price guarantee arrangements which left the UK marketing boards and their producers much more dependent on the returns the boards could get from the market. The N.I. Board cannot achieve as high a return as its counterparts across the water, partly because only about 20 per cent of Ulster milk goes to the higher price liquid market compared to 55 per cent in Britain, and partly because it has to accept lower returns from milk sold for both manufacture and the liquid market.

The region's modest sea fishing fleet of 120 trawlers and 170 small boats, which sail from the three main ports of Kilkeel, Portavogie and Ardglass on the east coast, have seen — in common with other European nations — the depletion of stocks of their traditional catches, mainly herring. Conservation measures have seriously reduced the fleets' opportunities. Nevertheless the value of the total catch, including the large contribution from prawn fishing, maintains its growth and reached £4.3m in 1977.

A large number of satellite bodies has developed around agriculture. The Livestock Marketing Commission aims to improve meat products and their presentation to secure new markets. The setting up of Ulster Farmers' Investments by the Ulster Farmers' Union in co-operation with the commission followed a lengthy investigation of the meat industry. The company has become the first producer co-operative in the province to own and run a meat plant.

With N. Ireland's traditional market—Britain—under attack from its EEC partners, agriculture is fighting hard to keep ahead in production, processing and marketing. The NI Agricultural Trust, which supplements the activities of the Department and commercial bodies, will soon introduce incentives to help food companies take advantage of new opportunities in processing and export marketing. It should help ensure that N. Ireland does not lose out in the race for its long-held markets.

Alan Watson

Mine silver output rise forecast

NEW YORK — An increase world mine silver production s year of 5 per cent over 78 is forecast by the U.S. ver Institute.

Ion Berger, senior consultant the institute, an association producers and users, told the oup's annual meeting that 79 world silver mine production was expected to rise to 1.88m troy ozs from last ar's 332.72m ozs.

However, he said a larger tput gain of 18.3 per cent is ticipated between 1979 and 82 with production reaching m ozs.

Mr. Berger said Mexico, by 82, was expected to boost production to 77.3m ozs from 56.1m s year.

Canadian mine output 979/82) is expected to edge by 6m ozs to 46.0m and a ilar rate of increase is projected for the U.S. at 47.4m ozs.

He reported a substantial n of almost 10m ozs last year use of silver for coin minting purposes, largely as a result the popularity of silver as an lation hedge mechanism in stern countries. More than n ozs of silver went into ns last year compared to 21m in 1977, according to the titute.

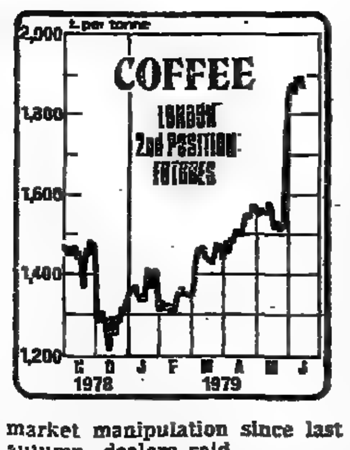
uter

Coffee market lower as frost fears ease

BY RICHARD MOONEY

COFFEE FUTURES prices fell back sharply on the London market yesterday. The September quotation slipped to £1,810 a tonne at one stage before closing £32 lower on balance at £1,862.5 a tonne.

Brazil's Sao Paulo coffee auction was halted last night with only 2,000 bags (60 kilos each) sold out of 50,000 on offer because of declining prices. This encouraged selling on the London market as did forecasts of warmer weather in the coffee growing regions and lack of any fresh "bullish" news.



Meanwhile trade estimates of the damage caused by last month's frost have been reduced. They now put losses from the 1980-81 crop at 5m to 6m bags against 8.5m estimated immediately after the frost. Up to 1m bags may have been lost from the current crop, they said. The Brazilian Coffee Institute has still not issued an official estimate of the damage.

The fall in prices also reflected heavy selling, believed to be on behalf of the Central American producers' group which has been involved in market manipulation since last autumn, dealers said.

In Rio de Janeiro the Brazil National Weather Department forecast rising temperatures in coffee growing States and ruled out the chance of frost tonight. Looking further ahead, department sources said much depended on how the cold air mass in south Argentina developed. It was too early to say whether this could bring frost into southern Brazil, they said.

The IBC planned to offer 20,000 bags of coffee at its auction on the Sao Paulo commodity exchange yesterday, trade sources said.

The sources said the institute planned to raise the minimum price for the lots on offer by 200 cruzeiros per bag, bringing the minimum prices to between 3,200 and 3,300 cruzeiros.

This is the first time the IBC has changed the minimum prices since auctions started two weeks ago.

Cocoa futures prices also fell sharply in London yesterday, mainly reflecting sterling strength. The September quotation closed £85.5 lower at £1,656.5 a *tonne.*

The fall was also encouraged by Accra radio reports that Ghana's new military administration had denied it was Communist-inclined or otherwise politically inspired. This tended to ease fears that shipments from Ghana might dry up under the new administration. These fears have been a significant factor underpinning cocoa prices since the coup.

Dealers believed Ghana had sold cocoa on to the London market yesterday morning.

General fall in metal markets

By John Edwards, Commodities Editor

PRICES OF base and precious metals fell back on London markets yesterday as a result of speculative selling, and the strength of sterling following the Budget.

The rise in interest rates, announced by Sir Geoffrey Howe, Chancellor of the Exchequer, also helped widen the gap between cash and forward quotations reflecting the increased cost of carrying stocks.

The downtrend in copper and precious metals started in early trading following a decline in the New York markets overnight.

The fall in copper was accelerated by further stop-loss selling when the three-months wirebars quotation went below £900 and the price closed £20 down at £894.5 a tonne. Cash wirebars lost £22 to £881.

Other metals were affected by the fall in copper. Cash tin declined by £87.5 to £7,377.5 a tonne, cash lead by £13 to £665 and cash aluminium by £26.5 to £769.5 a tonne.

Silver followed the downtrend in gold. The London bullion spot quotation was lowered by 9.8p to 407.4p an ounce at the morning fixing and stronger sterling helped push values down further in later trading to just over 405p.

Free market platinum was *marked down by £6.45* to £203.70 an ounce.

More nickel prices rises

By Our Commodities Staff

WORLD NICKEL price increases were announced yesterday by two more leading producers, Amax and Western Mining. As expected they are following the rise of 15 cents to $3 a lb for nickel briquettes in line with the increase announced by International Nickel rather than the 35 cents to $3.20 a lb initiated by Le at the higher price level.

Amax nickel corrugates go up to $2.97 a lb and ASP nickel to $2.93. Western Mining steel-making nickel has been put at $2.94 to remain competitive and powder to $2.91.

On the London Metal Exchange the three months nickel quotation came down sharply by £200 to £3,025 a tonne.

AGRICULTURAL TRADE

World food security threatened—FAO

BY PHILIP BOWRING

CEREAL IMPORT requirements of developing countries will reach 94m tonnes in 1985, compared with 72m tonnes in 1977-1978, *according to a study by* the UN Food and Agriculture Organisation.

By 1985 cereal demand from the developing countries would be 80 per cent up on the 1972-1974 index base level used by the FAO. The increase in the cereal deficit would be largely accounted for by the poorer developing countries.

The study warned of a "worsening food security situation" and said the rate of investment in agriculture was far from encouraging. External assistance for agriculture had increased but was still little over half targets set by the World Food Council.

However, the FAO study was not entirely pessimistic, at least for the better off developing countries. It forecast that exportable supplies of non-cereal agricultural products from developing nations would expand, finding rapidly growing markets in some other developing countries. As a result, it said, developing countries should "reverse or at least check" the long-term decline in their share of world agricultural trade—though overall agricultural trade growth would be slower than in the previous decade.

The FAO paper, prepared for the recent meeting of Unctad, said production growth in the developed countries would slow as a result of Government policies and reduced scope for raising yields. It blamed farm support policies in the U.S. and Europe for the tendency of output of sugar, dairy and citrus products to rise faster than commercial demand. The production potential of lower-cost producers was being hampered by the import policies of developed countries.

Commodities where demand was tending to outstrip supply were rubber and fishery products, while in others such as bananas, coffee and wheat a "delicate balance" seemed to be emerging.

Fastest export growth was expected for rubber, citrus and oil cake. Relatively slow growth could be expected for cotton, coffee, cocoa and hides.

Trade in fats and oils would *grow very rapidly under the* impetus of developing country supply deficits, which were expected to rise by 200 per cent by 1985 over the 1972-4 index base used by the FAO.

Import demand by those countries would also grow rapidly for meat (170 per cent), milk products (115 per cent) and sugar (80 per cent). Demand for tropical products by developed Western countries would grow slowly, but "dynamic growth" was expected in demand from the richer developing nations.

The trend to local processing would continue at a rapid rate.

On individual commodities, the study's findings include: **Rubber** provides "an uncommon opportunity for future growth" of about 5 per cent a year.

Sugar: Demand by 1985 will be only 11m tonnes above *1977-78 production* levels, but installed milling capacity was already sufficient to meet a 5m tonne production rise. Corn syrup would tend to act as a brake on sugar prices.

Dairy products: Unless EEC policies change there will be "little scope for export-oriented growth in developing countries."

Tea: The meduim-term outlook is for re-emergence of problems of low prices particularly for high-cost producers. Planning is needed to try to keep demand and supply roughly in balance.

Tropical timber: Demand is expected to reach 120m cubic metres by next year and 160m by 1990.

WORLD TRADE FORECASTS TO 1985
(1972-74 = 100)

	Import requirements			Export availabilities	
	World	Developing Countries	Developed Countries	Developing Countries	Developed Countries
Wheat	118	141	84	240	118
Rice	135	140	115	137	141
Coarse grains	156	334	121	107	106
Meat	129	271	102	127	125
Milk & Milk products	142	216	79	—	151
Fats & Oils	165	300	116	220	122
Oilcake & Meals	155	178	153	202	125
Fishery products	145	155	142	193	126
Sugar	115	178	92	122	134
Coffee	122	221	118	113	—
Cocoa	121	161	120	127	—
Tea	137	187	113	137	—
Bananas	125	183	121	129	103
Natural rubber	158	198	149	157	—
Raw cotton	115	168	94	106	129

Bid to boost Uganda's farm output

Financial Times Reporter

NAIROBI — The Uganda Government is trying to persuade farmers to revive agriculture after its disastrous period depression under Idi Amin. Appeals are being made by anda Radio to farmers to ng their livestock and agricultural industries back to mal. Agriculture is traditionally Uganda's main source foreign exchange, with coffee first place and cotton second. Farmers have been told that ential farm supplies such as erinary drugs, fertilisers, ed killers and farm chinery have been ordered are on their way. It is lerstood that when aid nors have asked Uganda for priorities, farm supplies e been top of the list. tain, Kenya and the EEC are ong the principal donors so but the U.S. will not be behind.

'Social' farm policy opposed

BY HILARY BARNES

ANY EEC weakening of market arrangements for northern products such as grain, milk and meat in order to strengthen regional programmes in the south, could spell the end of the Common Agricultural Policy, the acting president of the agricultural council (the Danish farmers' union) Mr. Ejvind Madsen, told the semi-annual meeting of council delegates.

Danish farmers in principle favour the expansion of EEC membership with Greece, Spain and Portugal, but the CAP will be endangered if it is used as an instrument of social policy, he said.

He also opposed the *Commission's proposals for giving income subsidies to poorer farmers on the same grounds.*

Output of livestock products will rise by about 4 to 5 per cent this year, in line with last year's increase of 4 per cent, said DLG, the agriculture mortgage institute in its annual report, with an increase of at least 10 per cent for pigmeat, with total pig production now expected to exceed, for the first time, 13m pigs.

But the institute said farmers' incomes and investment would fall this year. While gross income would remain unchanged, costs would rise as a result of both domestic and external factors, such as oil price increases. Net earnings would probably fall by about 10 per cent.

This is likely to lead to a decline in investment from the very high levels of the past three years, when there has been an especially large increase in building of new pig houses, said the report.

Heat hits Polish farming

By Our Own Correspondent

WARSAW — The prolonged heat-wave is the latest in a series of climatic setbacks since last Autumn which mean that Polish Plan targets for agricultural production are in danger of not being fulfilled, Polish leader, Edward Gierek told a central committee meeting yesterday.

According to official sources, the situation would lead to grain imports this year exceeding forecasts by 500,000 tonnes.

The Polish authorities had been planning to import 5.5m tonnes of grain and 1.4m tonnes of high-protein feeds this year compared with 8.4m tonnes of grain and feed imports in 1978.

Mr. Gierek also said the weather had brought a 5.6 per cent drop in milk production, amounting to 200m tonnes, in the first five months of this year

Rubber down

SPECULATORS selling off holdings were named by London buyers as the main influence behind a sharp drop in physical rubber prices yesterday.

Recent price gains evaporated and spot rubber closed 2.75p a kilo lower at 65p. There were more modest reductions in forward quotations. The futures market also followed the downtrend, with the July position losing 1.175p, to close at 67.975p a kilo.

EEC agrees to beef quota

LUXEMBOURG—Common Market Foreign Ministers yesterday agreed, subject to Ireland's final asent, on terms for letting high-*quality "Hilton" beef from* Australia into the Community.

M. Jean-Francois Deniau, the French Trade Minister, said he was ready to approve the accord even though it gave Australia more than it had conceded, because of the political importance of better relations, diplomatic sources said.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Sharply lower on the London Metal Exchange. The downturn overnight U.S. markets saw forward metal open lower at £907 and fall back £893 in the afternoon reflecting stop-loss selling and the strength of sterling. However, a modest rally left the price at £895 on the late Kerb. The increase in MLR to 14 per cent caused a slight widening in the contango. Turnover: 30,125 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	881.5-2	-18.5	880.5-1.5	-22
3 months	901.5-2	-20.5	894.5	-20
Settlem't	892	-20	—	......
Cathodes				
Cash	861-2	-21.5	852-4	-20.5
3 months	885-5	-19	876-8	-18
Settlem't	862	-22	—	......
U.S. Smt.	—	......	*81.50-8.25	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £892, 91.5, 92, three months £898, 97, 98.5, 97, 98, 99, 900, 901. Cathodes, cash £862. Kerb: Wirebars, three months £902, 01, 900, 899. Afternoon: Wirebars, cash £881, three months £897, 97.5, 93, 92, 93, 92, 93.5, 94. Cathodes, cash £853. Kerb: Wirebars, three months £896, 97, 95, 94, 93, 94, 95, 96, 97, 96.

TIN—Under pressure despite the steadiness of the Penang market. After trading quietly in the rings forward metal fell away on the morning kerb to touch £7,120 owing to fairly heavy chartist selling. This selling continued in the afternoon with the price dipping to £7,080 before recovering to close the late Kerb at £7,110, reflecting trade buying against U.S. and European physical business. Turnover: 1,705 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7430-40	-2.5	7375-80	-87.5
3 months	7145-65	-45	7115-25	-65
Settlem't	7440	......	—	......
Standard				
Cash	7430-40	-2.5	7375-80	-87.5
3 months	7130-40	-4.5	7100-1	-82
Settlem't	7440	......	—	......
Straits E.	$1980	......	—	......
New York	—	......		......

Morning: Standard cash £7,430, 20, 40, three months £7,170, 60, 50, 60, 55, 50, 30, 40, 45, 40. Kerb: Standard, three months £7,140, 35, 30. Afternoon: Standard, cash £7,380, three months £7,100, 7,090, 7,110, 20, 10, 7,100, 05, 7,100, 7,090, 7,100, 05, 7,100.

LEAD—Fell away following stop-loss selling a downturn in copper and the firmness of sterling. Forward metal opened at £624 and gave ground to close the late Kerb at £616.5 after a low of £611. Turnover: 9,375 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	664.5-5.5	-13.5	664-6	-13
3 months	619-20	-6.75	618-9	-9
Sett'ment	665.5	-13.5	—	......
U.S. Spot	—	......	*54.5	......

Morning: cash £664, 65, three months £617, 18, 17, 17.5, 20, 19.5, 18, 19. Kerb: cash £664, three months £620. Afternoon: three months £618, 15, 14, 11, 13, 14, 15, 17, 19, 18, 19. Kerb: three months £618, 17, 18.

COCOA

Cocoa futures moved limit down during the day due to sustained liquidation of long positions by the Commission Houses and closed marginally above the day's lows, reported Gill and Duffus.

nil). Flour Levies: Wheat or Mixed Wheat and Rye Flour: 134.85 (142.62). Rye Flour: 149.17 (149.17).

RUBBER

EASIER opening on the London physical market. Steadier throughout the day, closing slightly easier. Lewis and Peat reported a Malaysian godown price of 315 (328) cents a kilo (buyer, June).

PRICE CHANGES

In tonnes unless otherwise stated.

	June 12 1979	+ or —	Month ago
Metals			
Aluminium	£710/50	......	£710
Free Mkt (es)	$1560/580	-50.0	$1,580/50
Copper			
Cash w'bar	£881	-22	£948.25
3 mth	£894.5	-20	£956
Cash Cathode	£853	-20.5	£937.5
3 mth	£879	-19	£946.75
Gold troy oz	$278.375	-3.75	$247.625
Lead cash	£665	-13	£674
3 mth	£618.5	-9	£657.25
Nickel	£3117.62	......	£2,728.73
Freemkt(cif)(lb)	300.50c	......	280/310c
Platin'm tr'y oz	£171	......	£171
Free mkt	£203.70	-6.4	£200.60
Quicksil'ver	$345/55	+10.0	$290/300
Silver troy oz	407.40p	-9.8	392.4p
3 months	418.20p	-10.1	409.9p
Tin cash	£7,377.5	-87.5	£7,395
3 mths	£7,100.5	-82	£7,187.5
Tungsten	$137.52	......	$135
Wolfrm 22.04 cif	$145/50	......	$159/45
Zinc cash	£363	-4.5	£384
3 months	£373.25	-4.25	£395.75
Producers	$845	......	$800
Oils			
Coconut (Phil)	$1,095	+5	$1,120
Groundnut		......	
Linseed Crude	£386	......	£404
Palm Malayan	$667p	+7	$684.5
Seeds			
Copra Philip	$720	+5	$730
Soyabean (U.S.)	$319.70 r	-2.40	$301.5
Grains			
Barley Futures	£90.55	-0.55	£87.8
Maize			
French No 3 Am	£111.50	+0.5	£111.5
Wheat			
No. 1 Red Spg.		......	
No2 Hard Wint.		......	
Eng. Milling t	£107.5z	......	£104.5
Other commodities			
Cocoa ship't	£1,757	-60	£1,675.5
Future Sept.	£1,656.5	-85.5	£1,603.5
Coffee F't'r Sep	£1,862.5	-32	£1,550.5
Cotton A' Index	75.1c	......	75.35c
Rubber kilo §	65p	-2.75	59.25p
Sugar (Raw)	£103.0	+1	£98
Wooltp's 64s kl	279p	......	283p

* Nominal. † New crop. ‡ Unquoted. p August. r July. s July-Aug. t June-July. u June. w Sept. y Nov. z Indicator. § Buyer.

S. African: Navels 4.30-5.80. Lemons—Italian: 100/120's 4.80-5.00; Spania: Trays 30/40/45 1.80-2.20; S. African: 4.60-6.20; Brazilian: Trays 2.30-2.50. Grapefruit—S. African: 32/64 3.50-4.55. Apples—S. African: Granny Smith 7.50-7.80, White Winter Pearmain 5.00, Starking 5.50-6.40, Golden Delicious 6.50-6.80; New Zealand: Cox's Orange Pippins 7.50-8.50, Golden Delicious 6.80, Red Delicious 7.00; Tasmanian: Jonathans 5.20-5.50, Cox's Orange Pippins 6.60-8.00, Golden Delicious 4.00-4.50; W. Australian: Granny Smith 7.20; Washington: Red Delicious per box 8.00-10.00; French: Golden Delicious 72's 2.30-2.50, 84's 2.20-2.30.

AMERICAN MARKETS

NEW YORK, June 12.

Cocoa—July 149.55 (153.55), Sept. 152.75 (156.78), Dec. 155.80, March 156.90, May 157.70, July 158.60, Sept. nil.

Coffee—"C" Contract: July 186.08 (185.43), Sept. 189.15 (189.03), Dec. 187.04, March 186.35, May 186.82, July 186.50, Sept. 184.01.

Copper—June 81.20 (81.70), July 81.45 (82.00), Aug. 81.70, Sept. 81.85, Dec. 82.80, Jan. 82.85, March 83.10, May 83.15, July 83.20, Sept. 83.25, Dec. 83.30, Jan. 83.30, March 83.30.

193.0 (194.0), Nov. 192.2, Jan. 195.0, March 197.5, May 199.0 bid, July 201.5, Sept 201.5 bid, Nov. 201.4.

Pork Bellies—July 44.45 (42.77), Aug. 42.35 (40.82), Feb. 49.27, March 49.30, May 49.60, July 49.60, Aug. 48.50. Sales: 7,034.

Shell Eggs—June 63.95 (57.25), July 56.50 (58.40), Aug. 57.00, Sept. 60.80, Oct. 57.75, Nov. 61.50, Dec. 64.20. Sales: 46.

Plywood—July 190.5 (192.0), Sept.

†† Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. ... per 1,000 sq feet. ‡ Cents per dozen.

Tuesday's closing prices

Coffee—"C" Contract: July 185.43 (186.87), Sept. 189.03 (190.32), Dec. 188.33, March 185.40, May 185.00, July 185.75, Sept. 183.25.

Cotton—No. 2: July 67.75 (65.81), Oct. 66.77 (65.95), Dec. 64.74, March 65.95, May 66.65, July 67.45, Oct. 67.00.

*Gold—June 280.80 (280.50), July 282.60 (282.40), Aug. 284.60, Oct. 289.30, Dec. 293.90, Feb. 298.40, April 302.60, June 307.30, Aug. 311.80, Oct. 316.30, Dec. 320.80, Feb. 325.20, April 329.70.

¶Silver—June 857.0 (856.0), July 860.0 (860.5), Aug. 867.4, Sept. 874.8, Dec. 894.3, Jan. 900.0, March 911.7, May 923.5, July 935.3, Sept. 947.1, Dec. 965.6, Jan. 971.6, March 983.4. Handy and Harman spot 859.50 (846.00).

EUROPEAN MARKETS

ROTTERDAM, June 12.

Wheat: U.S. No. Two Dark Hard Winter Wheat 13.5 per cent, July $187. U.S. No. Two Red Winter Wheat: June $186, July $184, Aug. $185, Sept. $185, Oct. $188. U.S. No Two Northern Spring Wheat 14 per cent: June $1.. July $183, Aug. $183.50, Sept. $1.. Oct. $190.

Maize: U.S. No. Three Corn Yellow afloat $137, June $136, July $136.50, Aug. $139, Sept. $139.50, July/Sept. $138.75, Oct./Dec. $142.75, Jan./March $148.

Soyabeans: U.S. Two Yellow Gulfports June $312, July $312.25, Aug. $315, Sept. $317.50, Oct. $313.50, Nov. $312.25, Dec. $316, Jan. $320.25, Feb. $324.75, March $325.75, April $328.50, May $329.50, Brazil Yellow faq unq. U.S.-Brazil unq. Lakes unq. Argentine afloat $305.50, June/July $304.75, Paraguay June/July $308. Uruguay June $306.75, sellers tradeless.

Soyameal: U.S. afloat $253, June $253.50, July $253.50, June/Sept. $254.50, Nov./March $259. Brazil pellets afloat $256, June $256, July $257.50, June/Sept. $259.

PARIS, June 12

Cocoa (FFr per 100 kilos): July 1515-1565, Sept. 1562-1566, Dec. 1586-1588, March 1590-1620, May 1595-1615, July 1595-1615. Sales at call, 4.

Sugar (FFr per 100 kilos). July 970-980, Aug. 985-986, Oct. 1025-1029, Nov. 1025-1030, Dec. 1052-1060, March 1083-1088, May 1108-1110, July 1135-1140. Sales at call, 8.

INDICES

FINANCIAL TIMES

June 12	June 11	M'nth ago	Year ago
293.92	288.39	276.16	246.77

(Base: July 1, 1952=100)

MOODY'S

June 12	June 11	M'nth ago	Year ago
1090.2	1087.5	1063.0	925.6

(December 31, 1931=100)

DOW JONES

Dow Jones	June 12	June 11	Month ago	Year ago
Spot	412.70	417.85	392.50	356.36
F'tur's	416.92	425.39	395.83	348.13

(Average 1924-25-26=100)

REUTERS

June 12	June 11	M'nth ago	Year ago
1629.5	1630.4	1565.1	1510.0

(Base: September 18, 1931=100)

Budget measures bring divergent late trends to equities
Gilts dismayed by unexpected sharp increase in MLR

Account Dealings Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 4	June 14	June 15	June 26
June 18	June 28	June 29	July 10
July 2	July 12	July 13	July 24

* "New time" dealings may take place from 9.30 am two business days earlier.

The stock market's immediate reactions to the Chancellor's budget proposals varied yesterday but the sharp increase of 2 per cent to 14 per cent in Minimum Lending Rate dismayed Gilt-edged operators and prices are expected to open substantially lower this morning as the market adjusts to the new interest rate structure. The weakness could be especially pronounced at the untapped short end of the market which is unlikely to remain that way for long.

Divergent trends appeared among Oils where **British Petroleum**, down 28 at 1194p, reacted on fears that the Government will dispose of part of its large stake in the company, while **Shell**, 6 up at 370p, responded to the Chancellor's proposal that dividend restraint is not to be extended after July. Banks scored sizeable gains on expectations of higher base rates, while Breweries and Distillers showed relief in the absence of duty increases. Stores slipped back, however, on concern about the squeeze on credit which also unsettled Hire Purchase issues.

In pre-Budget trading, business had been very slow but the undertone in both equities and Government securities had remained sound. The latter edged forward prior to surrendering the small improvements and closed unchanged to a shade easier on balance; dealings ceased at 3.30 pm and were not resumed, unlike equities in which trade continued after the Chancellor had sat down and the latter generally ended a net penny or so cheaper. The FT 30-share index closed with a loss of 2.5 at 501.4.

The proposed alteration in exchange control regulations induced selling of investment currency and the premium, which had risen sharply to 55¾ per cent ahead of the Chancellor's speech, reacted in busy trading to close a net 1½ points down at 50½ per cent, after a day's low of 50 per cent. Yesterday's SE conversion factor was 0.8154 (0.8274).

The volume of business in Traded Options improved considerably, the total of contracts completed rising to 1,008 from the previous day's 516. **Marks and Spencer** were particularly lively, recording 177 deals, while **Consolidated Goldfields** were also active with 166.

Banks good

Anticipating an early rise in their base lending rates following the rise of 2 to 14 per cent in Minimum Lending Rate, the major clearing banks moved up strongly in the late trade and extended early "house" close improvements of 8 to 18. **Midland**, 430p, and **NatWest**, 370p, both ended that much higher, while **Barclays** rose 16 to 468p as did **Lloyds**, to 338p. **Bank of Scotland** ended 11 to the good at 326p and **National and Commercial** finished 2½ better at 92½p. Hire Purchases softened in reaction to the new credit squeeze measures. **Cattles Holdings** dipped 2¼ to 34p and **Wagon Finance** gave up 1½ to 44½p. Among merchant banks, **Hill Samuel** hardened a penny to 113p following the satisfactory results and **Hambros**, with annual results due later this month, firmed 2 more to 313p.

Insurances moved erratically after hours and closed with no decided trend. Composites generally eased with **Royals** 5 off at 365p and **Eagle Star** 3 down at 152p, while **Hambro**, a thin market, gained 10 to 665p among Life issues.

Brewery and Distillery issues moved ahead in the late trading, sentiment being helped by the absence of any increase in excise duty. **Allied**, down to 89½p at one stage on disappointment with the results, rallied to close a shade better on balance at 92p. **Bass** finished 5 up at 217p and **Guinness** 3 firmer at 186p. **Distillers** were particularly good at 223p, up 8, along with **A. Bell** which rose 10 to 182p.

Building issues closed firmer for choice and **Blue Circle** *finished 4 dearer at 324p.* Renewed demand lifted **Brown and Jackson** 18 to 235p, while **Burnett and Hallamshire** improved 11 to 393p; the latter's annual results are due next Wednesday. Speculative interest was shown in **Travis and Arnold** which put on 10 to 227p, while late inquiry lifted **SGB** 6 to 278p. Awaiting tomorrow's annual results, **William Leech** hardened a penny to 108p, but recently firm **Mallinson-Denny** eased 2 to 69p.

A few pence firmer at one stage, **ICI** closed unchanged at 369p. **Brent Chemical** displayed a late improvement of 4 at 230p and **Carless Capel** firmed 2 to 44p, while **Coalite** added a penny to 88p.

Stores fall

The steeper-than-expected increase in VAT to a unified rate of 15 per cent brought widespread and sometimes sizeable falls to the Stores sector. **Gussies A** closed 12 lower at 388p, **Marks and Spencer** 4 off at 264p, and **W. H. Smith A** relinquished 6 to 177p, while **House of Fraser** dipped 5 to 180p. **British Home** declined 6 to 264p and **Debenhams** 4 to 86p. **Raybeck**, which earlier announced that the group is to sell and leaseback half of its Bourne and Hollingsworth site in Oxford Street for £17m, finished 4 off at 122p. Already dull on the chairman's remarks at the AGM regarding the company's dividend policy, **Empire** fell further after the Budget and finished 16 off at 236p, while other casualties among mail-orders included **Grattan Warehouses**, 8 down at 126p, and **Freemans**, 4 off at 164p. Profit-taking after recent strength which stemmed from bid hopes caused **Moss Bros** to fall 8 to 287p, while **Comet Radiovision** gave up 7 to 142p.

The Budget proposals had little immediate impact on the Electrical sector where the majority of movements were restricted to a few pence either way. Among the leaders, **GEC** closed 3 firmer at 380p, but **EMI**, 102p, and **Plessey**, 113p, gave up a few pence, while **Thorn** closed 4 cheaper at 482p. Among secondary issues, **Decca A** were noteworthy for a further fall of 7 to a fresh low for the year of 300p.

Engineering leaders held reasonably steady until the late trading when prices tended a few pence lower. Elsewhere, news that the bid discussions with Dobson Park had been terminated prompted weaknes in **Mining Supplies** which fell to 90p before rallying to close 7 off on the day at 95p. In contrast, **GEI International** firmed 3 to *92p on the increased dividend* and profits. Revived demand left **Richardson Westgarth** up 3½ at 37p, while further support lifted **Northern Engineering** 2½ more to 128½p. Other firm spots included **Averys**, 4 dearer at 278p, and **Taylor Pallister**, 3 higher at 105p.

Budget implications left Foods undecided. **Rowntree Mackintosh** eased 7 to 435p, but **Cadbury Schweppes** improved ½ to 64p. Early speculative demand in belated response to a broker's bullish circular lifted **George Bassett** 11 to 121p, after 125p, while revived bid hopes prompted a gain of 2 to 45½p in **Spillers**. **Somportex** attracted attention and put on 6 to 83p, but **Alpine Soft Drinks**, annual results tomorrow, eased 3 to 180p.

In line with the late strength in Brewery shares, **Grand Metropolitan** added 4 to 142p. Ahead of today's casino licences hearing, **Ladbroke** firmed 4 to 216p. Renewed interest was shown in **Brent Walker** which advanced 5 to 94p.

The budget proposals had little apparent effect on the miscellaneous Industrial leaders which closed narrowly mixed. Further consideration of the disappointing results prompted a reaction of 3 for a two-day loss of 18 to 310p in **Metal Box**, while **Boots** also cheapened 2, to 197p, and **Reed International** relinquished 5 to 177p. **Pilkington**, annual results due on Friday, hardened 2 to 337p and **Reckitt and Colman** put on 3 to 476p. Elsewhere, continuing to draw strength from the good results and proposed 3-for-2 scrip issue, **Triefus** advanced 8 more to 165p, while **Leadenhall Sterling** hardened 10 to 210p and **Sale Tilney** improved 4 to 212p. **Crosby Spring** fell 4 to 30p on adverse Press comment, while similar falls were sustained by **Caplan Profile**, 235p, **Central Manufacturing and Trading**, 69p, and **Neil and Spencer**, 208p.

In Motors, **Dowty** came on offer and shed 7 to 333p, while **Lucas** eased 4 to 283p and **Dunlop** slipped a penny to 73p. Consideration of the annual results left **Caffyns** 2 cheaper at 114p.

Associated Newspapers hardened 2 to 228p on the increased profits.

The proposed 2 per cent hike in Minimum Lending Rate left Properties easier with **British Land** marked 4 lower to 70p. **Town and City** reacted ¼ to 19½p and **MEPC** shed 4 to 164p, but *Great Portland Estates*, annual results tomorrow, held at 300p. **Bernard Sunley**, 380p, and **Chesterfield**, 470p, shed 10 apiece, while **Slough Estates** eased 3 to 110p.

BP weaken

The Government's proposal to sell off a further part of its holding in the company caused marked late weakness in **British Petroleum** which fell away to end 28 lower at 1,194p. By way of contrast, **Shell** advanced 6 to 370p on confirmation that dividend restraint will be lifted after the end of July. Elsewhere, the increase of 10p on a gallon of petrol was not unexpected and had little effect on other Oil share prices which closed narrowly mixed.

Trusts recorded scattered irregular movements while, in Financials, **Fashion and General**, a firm market of late on Press mention, reacted 4 to 171p. On the other hand, **Majedie** continued to attract buyers and put on 3 more to 93p.

Shippings gave a little ground, with **P and O Deferred** closing 1½ cheaper at 97p.

Little of interest occurred in the Textile sector but still unsettled by the passing of the interim dividend and the accompanying gloomy statement on the outlook, **Homfray** eased a shade further to 30p.

The proposed increase of 6p on the price of a packet of cigarettes failed to unsettle Tobaccos which were tending harder in the late dealings. **Bats** firmed 2 to 282p and **Imps** put on 1½ to 93p.

Rubbers succumbed to profit-taking. **Sungei Krian** dipped 6 to 127p, while **Castlefield**, 355p, and **London Sumatra**, 315p, fell 5 apiece.

Golds lose ground

A fall of $3.75 in the bullion price to $278.375 per ounce coupled with a decline in the investment currency premium prompted widespread losses in South African Golds. The Gold Mines index gave up 3.9 to 200.9 and the ex-premium index 5.7 to 163.8.

After being marked down at the outset, prices eased further owing to renewed selling from all sources. Towards the close and in the after hours' trade they weakened afresh as American selling entered the market.

Among the heavyweights, losses ranged to ½ as in **Hartebeest**, £19½, while falls of ¼ were common to **Buffels**, **Vaal Reefs** and **Western Holdings**, at £10, £18¾ and £20 respectively.

West Driefontein also gave up ¼, to £27¼, in front of the better-than-expected dividend which was not known during market hours.

In the medium and lower-priced issues, **East Driefontein** preceded the lower-than-expected dividend declaartion with a fall of 11 to 869p.

South African Financials lost ground in line with the Gold share market and the lower investment currency premium. **General Mining** gave up 15 at 805p, **Anglo American** and **De Beers** were both 4 cheaper at 442p and 440p respectively, while **Anglo-Vaal** fell ½ to £13¾.

In Coals **Transvaal Consolidated Land** dropped a half-point to £18½ and "**Amcoal**" 13 to 987p. London Financials were marginally easier in line with UK equities. **Gold Fields**, 5 off at 259p, were notably weak reflecting the lower bullion price.

In an otherwise subdued Australian section **Pancontinental** improved 13 to 750p following the change in relaxation of Australia's domestic ownership rules for uranium mining projects.

Renewed profit-taking left the Rundle oil shale partners showing further heavy falls. **Central Pacific** lost 20 more to 680p and **Southern Pacific** 10 to 255p.

LONDON TRADED OPTIONS

Option	Ex'rc'se price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	1200	72	1	114	—	170	—	1216p
BP	1300	20	11	66	—	110	66	"
Com. Union	140	14	10	19	—	22	—	150p
Com. Union	160	1	50	6	—	7	1	"
Cons. Gold	220	45	27	52	—	—	—	259p
Cons. Gold	240	27	20	37	1	42	—	"
Cons. Gold	260	12	28	19	—	29	—	"
Cons. Gold	280	4	90	13	—	19	—	"
Courtaulds	100	7½	10	12	16	15	—	100p
Courtaulds	110	3	17	7	17	10	3	"
Courtaulds	120	1½	5	3½	—	7	—	"
GEC	360	35	8	51	—	72	—	380p
GEC	390	16	—	31	—	54	30	"
GEC	420	6	14	20	10	40	—	"
GEC	460	3	10	12	10	26	—	"
Grand Met.	138	9	10	14	12	19	—	139p
Grand Met.	178	1	—	3	8	7	2	"
ICI	360	25	5	33	—	41	—	370p
ICI	390	7	65	17	12	27	—	"
Land Secs	300	7	53	25	—	40	36	293p
Marks & Sp.	110	12	13	18	—	24	—	116p
Marks & Sp.	120	5½	16	12	—	19	80	"
Marks & Sp.	130	2½	35	7	—	14	46	"
Shell	350	32	2	42	7	54	2	366p
Shell	375	17	3	33	1	42	—	"
Shell	400	8	26	21	3	31	2	"
Totals			607		97		266	
		August		November		February		
BOC Intl.	80	4	—	5½	12	8	—	77p
Boots	200	13	—	19	30	24	—	199p
EMI	100	14	—	17	—	27	30	105p
EMI	120	5	20	10	10	16	5	"
EMI	140	3	15	5	—	—	—	"
Imperial Gp	100	3½	1	6	—	9	1	92p
RTZ	300	32	9	43	—	56	—	311p
RTZ	360	8	23	17	6	—	—	"
Totals			66		68		24	

FINANCIAL TIMES STOCK INDICES

—	June 12	June 11	June 8	June 7	June 6	June 5	A year ago
Government Secs.	72.65	72.65	72.60	73.16	72.91	72.60	70.78
Fixed Interest	74.37	74.48	75.00	75.13	75.07	75.01	72.38
Industrial	501.4	503.9	503.2	514.0	516.9	509.5	474.6
Gold Mines	200.9	204.8	201.6	205.6	208.4	203.2	160.9
Gold Mines (Ex-$ pm)	163.8	169.5	164.7	165.7	169.5	167.4	105.6
Ord. Div. Yield	5.88	5.84	5.84	5.73	5.71	5.77	6.58
Earnings, Yld. % (full)	15.48	15.39	15.39	15.08	15.04	15.24	15.26
P/E Ratio (net) (*)	8.27	8.32	8.32	8.49	8.51	8.40	8.23
Total bargains	15,583	17,722	16,883	16,756	16,911	16,864	—
Equity turnover £m.	—	69.39	99.02	90.97	80.67	71.62	78.06
Equity bargains total	—	14,576	14,362	14,231	13,421	11,708	15,748

10 am 504.3. 11 am 505.2. Noon 504.0. 1 pm 504.0. 2 pm 503.4. 3 pm 503.2.

Latest Index 01-246 8026.

*Nil=7.36.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex $ premium index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1979 High	1979 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	75.91 (4/5)	64.64 (8/2)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.76 (5/5)	66.03 (13/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	446.1 (12/2)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	208.4 (6/6)	129.9 (17/4)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex-$ pm)	169.5 (6/6)	95.2 (2/11)	337.1 (3/4/74)	54.3 (25/6/76)

S.E. ACTIVITY

	June 12	June 11
—Daily		
Gilt Edged	106.6	116.7
Industrials	148.3	147.9
Speculative	34.7	36.4
Totals	92.6	97.1
5-d'y Av'r'ge		
Gilt Edged	109.3	105.1
Industrials	143.9	138.4
Speculative	39.8	38.6
Totals	94.2	91.0

Second look at Raglan

Falconbridge Nickel's 68 per cent-owned **New Quebec Raglan Mines** is to take another look at the possibilities of its good grade nickel-copper prospect in the Ungava region of Quebec, about 1,100 miles north of Montreal, reports **John Soganich** from Toronto.

The company says: "The depressed state of world prices and demand for nickel has begun to moderate. A review of previous feasibility studies will be made during 1979 in light of any changes in the nickel marketing situation."

Raglan ore reserves are put at some 16m tons grading 2.58 per cent nickel and 0.71 per cent copper contained in a number of deposits. One of these, the Donaldson Mine, has been explored underground and has a shaft down to 924 feet with four levels open. "Well assured reserves" at Donaldson are estimated at 3m tons averaging 3.06 per cent nickel and 0.73 per cent copper.

NEW HIGHS AND LOWS FOR 1979

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979.

NEW HIGHS (23)

BEERS (1)
Highland Distilleries

BUILDINGS (2)
Burnett Hallamshire — Finlan (J.)

STORES (1)
Church

ELECTRICALS (1)
Farnell Electronics

ENGINEERING (4)
A.C.E. Machinery — Firth (G. M.)
Averys — Turriff

FOODS (2)
Meat Trade Supplrs. — Somportex

INDUSTRIALS (8)
Berwick Timpo — Leadenhall Sterling
Caravans Intl. — Sale Tilney
French (Thos.) — Sangers Group
Holden (A.) — Triefus

MOTORS (1)
Lyon & Lyon

PROPERTY (2)
Carrington Inv. — County & District

TEXTILES (1)
Mackay (Hugh)

NEW LOWS (26)

AMERICANS (1)
Texaco

CANADIANS (3)
Bank of Montreal — Toronto-Dominion
Bell Canada

BANKS (1)
Dawes (G. R.)

ELECTRICALS (4)
Decca — Campbell Isherwood
Do. A — Lec Refrigeration

ENGINEERING (3)
A1 Ind. Prods. — Thyssen
Tex Abrasives

FOODS (1)
Tavener Rutledge

INDUSTRIALS (2)
B.H. Prop. — Jardine Matheson

INSURANCE (1)
London United

LEISURE (1)
Saga Holidays

TEXTILES (1)
Homfray

TRUSTS (5)
Crescent Japan — Challenge Corp.
Jardine Japan — Suez Finance
Scottish Western B.

MINES (3)
Conzinc Riotinto — Sabina
Cultus Pacific

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	3	18	66
Cpn. Dom. and Foreign Bonds	2	8	54
Industrials	210	203	1,003
Financial and Prop.	81	99	325
Oils	8	10	20
Plantation	2	11	19
Mines	8	81	53
Others	25	68	49
Totals	339	494	1,589

APPOINTMENTS

Sir Gerald Thorley joins Board of Fitch Lovell

Sir Gerald Thorley has been appointed a non-executive director of the Board of FITCH LOVELL. He is chairman of MEPC and of British Sugar Corporation and holds a number of other directorships.

★

Mr. Frank Hayhurst has been elected president of the INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS for 1979-80. **Mr. William Hyde** and **Mr. Austin Callaghan** have become vice-presidents.

★

Mr. Alan Edis has been appointed director, AUSTIN MORRIS KD operations. KD (Knocked Down) is the operation responsible for packing and shipping partly-built cars to overseas markets for final assembly by local labour. Mr. Edis was formerly business and product planning director for Jaguar Rover Triumph, which included responsibility for direction and development of the BL Motorsport programme.

The KD operation last year packed and exported 157,518 cars, of which 79 per cent were Austin Morris models.

★

Mr. S. J. Cockburn has been appointed a director of CHARLES CLIFFORD INDUSTRIES.

★

Mr. David Macdonald, Mr. Ian McIntyre and **Mr. Dolf Mootham** have been appointed to the Board of HILL SAMUEL GROUP from July 1. On his retirement as director general of the Takeover Panel, Mr. Macdonald will be returning to Hill Samuel and Co. in a full-time executive capacity and will be a deputy chairman of the bank.

★

Mr. Michael Montague has been appointed chairman of PHOENIX MINING AND FINANCE in succession to **Mr. B. S. Cleminson**, who remains a director. **Mr. D. Campbell Wood** joins the board and **Mr. Fraser Bird** has retired.

★

Mr. R. J. Laker has been appointed managing director of M & G ASSURANCE GROUP. **Mr. C. R. H. Harris** has become a director of Transatlantic & General Securities Company.

★

Mr. Marc Lassus has been appointed general manager of MOTOROLA'S European MOS production centre at East Kilbride, Scotland. He joined the company in 1967 after starting the first bi-polar digital device production for Motorola in Tourouse in 1970. Mr. Lassus first became digital products manager, and later, European operations manager for linear products.

★

Mr. John E. Phillips has been elected a vice-president in the special industries group of the CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO. Mr. Phillips, who is based in London, has been with the bank since September, 1972 and co-ordinates its lending to construction and engineering companies headquartered in Europe and the Middle East. **Mr. Michael E. O'Neill** has become a vice-president in the multinational banking services department. He joined the bank in September, 1974, and is a relationship manager for multinational companies headquartered in the UK.

Sir Gerald Thorley

★

Lord Lucas of Chilworth has joined the Board of EMRAY LEASING, part of the Emray Group.

★

Mr. Neil Munro has been appointed chairman of KEITH PROWSE HOLDINGS. **Mr. M. G. D. Graham, Mr. J. D. Allatt, Mr. P. M. Gillham** and **Mr. P. B. Haughton** have been elected to the Board.

★

Mr. H. A. Stammers, assistant general manager of ROYAL INSURANCE, is to relinquish his position as secretary from July 1. **Mr. P. S. Ellacott**, group secretarial manager, will become secretary.

★

KEARNEY EXECUTIVE SEARCH GROUP has established a London office and appointed **Mr. Simon Pratt** as its managing director in Britain. The Group, which is part of the Kearney international management consultancy, recently opened its first European *office in Brussels.*

★

Mr. David Thursfield, at present plant director at the British Leyland Rover plant at Solihull, is to become engineering director (buses) of LONDON TRANSPORT, a newly-created post, from tomorrow. The appointment of **Mr. Raymond H. Allen** to this position was reported on February 17, but he was not able to take it up for personal reasons. Mr. Thursfield will also serve on the newly-created management Board for London's bus services, headed by **Dr. David Quarmby**, managing director (buses).

★

Mr. David Richards has been elected president of the INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES for 1979-80. He will be president during the celebrations to mark the Institute's Centenary in May, 1980. **Mr. Richard Wilkes** has become deputy president and **Mr. Harry Singer**, vice-president. Mr. Richards is a partner in Deloitte Haskins and Sells, London. He was elected to the Council of the Institute in 1970 and for the past year has been chairman of the Public Relations and Communications Advisory Committee. Mr. Richards was chairman of the London and District Society of Chartered Accountants in 1969-1970.

Mr. David Richards

Roadline goes to Highlands

ROADLINE, the parcel delivery company, is extending its service to the Scottish Highlands.

Mr. Iain Macnab, the company's *Scottish Regional Director*, said yesterday that Roadline's lorry delivery is to include Inverness, Ross and Cromarty, Sutherland and Caithness.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
May 30	Jun. 11	Aug. 23	Sep. 4
Jun. 12	Jun. 25	Sep. 6	Sep. 18
Jun. 26	July 9	Sep. 20	Oct. 2

For rate indications see end of Share Information Service

Money was given for the call of Burmah Oil, Premier Consolidated, Consolidated Gold Fields, Rossgill Holdings, Britannia Arrow, W. E. Norton, Movitex, National Carbonising, Associated Tooling, Barker and Dobson, Wankie Colliery, Homfray, Burton "A," Shell Transport, Sears, Minster Assets, Marley, Duple, Carless Capel, Geo. Bassett and J. Dykes. A put was arranged in Ladbroke, while double options were transacted in Tesco, Sears, Burmah Oil and Burton Warrants.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979 high	1979 low
BP	£1	12	1194	−28	1246	882
GEC	25p	10	380	+3	456	311
BATs Defd.	25p	9	260	+2	337	250
Grnd. Met. 'New'	Nil/pd.	9	12½pm	+½	12½pm	10pm
Beecham	25p	8	562	−1	755	558½
ICI	£1	8	369	—	415	346
Shell Transport	25p	8	370	+6	402	278
Burmah Oil	£1	7	132	+1	134	82
Cons. Gold Fields	25p	7	259	−5	268	178
Allied Breweries	25p	6	92	+½	102	80
Commercial Union	25p	6	148	+1	185	140
Mining Supplies	10p	6	95	−7	114	73
Unilever	25p	6	614	—	680	520
Courtaulds	25p	5	99	−1	127	99
EMI	50p	5	102	−2	144	100

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
60	F.P.	11/7	91	78½	B & Q (Retail) 5p	81	+1	2.46	2.8	3.0	17.4
§115	F.P.	—	207	187½	††Baker (John)	197	−3	12.0	—	9.1	—
‡‡	F.P.	22/6	58	51	Fulcrum Inv. Income	53	......	64.0	—	11.5	—
‡‡	F.P.	22/6	4½	3	Do. Capital 2½p	4¼	......	—	—	—	—
§§	F.P.	—	67½	59½	Rock Darham	40	+½	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
20p	F.P.	11/5	21¼p	18p	How'rd Wyndh'm 9% Cnv. Cum. Red. Prf.	18p	......
100	F.P.	—	110½	107½	Kwik-Fit (Tyres) 8% Cnv. Ln. 1979/85	110½	......
100	—	—	2pm	1pm	Marsh'll's Univ'rs'l 7½% Cnv. Cum. Red. Prf.	1pm	......
100	£10	30/8	12	11½	Portsmouth Water 8% Red. Prf. 1984	11½	......
100	F.P.	11/5	118½	108	Slough Ests. 8% Cnv. 1991-94	109	......
98	£25	23/8	25¼	24¾	York Water 12% Deb 1986	24½	......

"RIGHTS" OFFERS

Issue Price p:	Am'unt Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1979 High	1979 Low	Stock	Closing Price p:	+ or −
26½	F.P.	14/5	8/6	35½	30½	Davis & Metcalfe 'A'	32	......
25	F.P.	8/6	6/7	51pm	40pm	Edwards (Louis C.)	51	......
126	Nil	—	—	12½pm	10pm	Grand Metropolitan	12½pm	+½
12	F.P.	1/6	29/6	15½	14	Hampton Trust	15	......
154	Nil	22/6	27/7	17pm	15pm	MEPC	15pm	......
85	Nil	—	—	36pm	18½pm	P.M.A. Holdings	31pm	−1
210	Nil	—	—	60pm	40pm	Peterson Tennant	40pm	......
30	F.P.	—	—	43½	29	Provincial Laundries	41	......
118	F.P.	1/6	29/6	126	114	Pullman (R. & J.)	114	−1
60	Nil	—	—	26pm	25pm	Scotcros	25pm	......
115	F.P.	11/6	2/7	136	130	Scot. Met. Prop.	130	−1
265	Nil	15/6	27/7	30pm	14pm	Simon Engineering	14pm	−1
20	F.P.	27/4	15/6	32	27	Singlo Holdings	27	......
160	Nil	15/6	13/7	6pm	1pm	Smurfit (Jefferson)	1pm	−1
455	F.P.	4/6	6/7	507	482	Standard Chartered Bank	488	+6
138	Nil	18/6	5/7	7pm	1½pm	Tilling (Thomas)	1½pm	......
176	F.P.	23/5	4/7	249	210	Tricentrol	234	+2
93	F.P.	7/6	13/7	105¾	100	UDS	100	−1
20	Nil	19/6	13/7	5½pm	2½pm	Weeks Associates	3pm	+½

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. : Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Tues., June 12, 1979 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Mon., June 11 Index No.	Fri., June 8 Index No.	Thurs., June 7 Index No.	Wed., June 6 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	262.01	+0.1	16.26	5.35	8.05	261.81	[illegible]	267.22	268.89	215.47
2	Building Materials (27)	247.34	+0.3	16.25	5.62	8.21	246.51	248.96	251.81	251.39	189.39
3	Contracting, Construction (28)	400.01	−0.1	22.49	5.41	5.60	400.35	401.86	403.94	405.86	347.47
4	Electricals (14)	616.69	+0.4	12.61	3.10	10.89	614.17	617.37	635.32	641.87	459.36
5	Engineering Contractors (12)	387.43	+0.3	18.71	6.25	6.84	386.38	393.38	394.48	394.98	319.63
6	Mechanical Engineering (75)	197.54	−0.2	16.75	5.88	7.76	198.03	198.86	200.73	200.78	176.29
8	Metals and Metal Forming (16)	178.91	−0.3	18.05	8.71	6.95	179.53	180.27	181.59	181.89	163.01
	CONSUMER GOODS										
11	(DURABLE) (52)	242.62	−0.1	14.45	4.50	9.17	242.94	244.58	247.11	248.56	199.50
12	Lt. Electronics, Radio, TV (16)	329.72	+0.1	11.21	3.23	12.56	329.25	332.53	334.86	336.73	233.22
13	Household Goods (12)	171.49	−0.1	16.30	6.92	8.22	171.74	173.69	173.95	175.61	180.89
14	Motors and Distributors (24)	124.82	−0.7	21.23	6.79	5.82	125.75	125.57	128.05	128.89	127.42
	CONSUMER GOODS										
21	(NON-DURABLE) (171)	243.72	−0.3	15.32	5.56	8.40	244.53	245.01	248.58	249.36	203.84
22	Breweries (14)	278.67	+1.2	14.15	5.58	9.05	275.27	279.45	284.69	285.90	238.18
23	Wines and Spirits (6)	316.31	+3.7	14.85	4.73	9.81	304.92	305.45	310.29	311.97	[illegible]
24	Entertainment, Catering (17)	320.84	+1.2	14.64	6.42	9.05	317.08	316.86	322.85	325.85	258.86
25	Food Manufacturing (19)	225.43	—	17.52	5.06	7.09	225.36	227.49	229.19	228.14	198.56
26	Food Retailing (15)	302.71	+0.4	10.99	3.99	12.06	301.41	302.86	304.94	305.35	203.30
32	Newspapers, Publishing (12)	445.63	+0.1	20.87	5.81	6.79	445.11	448.65	453.36	454.24	381.27
33	Packaging and Paper (15)	138.54	−1.1	20.51	8.05	6.32	140.04	142.61	144.21	144.55	135.92
34	Stores (41)	245.10	−2.6	11.49	4.15	11.72	251.66	249.99	253.27	254.03	180.15
35	Textiles (25)	176.37	−0.5	20.05	8.90	6.51	177.25	177.53	179.15	180.36	161.78
36	Tobaccos (3)	243.88	+1.0	23.29	8.44	4.93	241.51	240.03	240.18	250.09	252.39
37	Toys and Games (6)	79.37	—	28.51	8.56	4.21	79.37	79.02	78.86	77.46	100.01
41	OTHER GROUPS (99)	213.86	−0.2	14.84	5.99	8.36	214.31	215.42	217.83	218.44	199.70
42	Chemicals (18)	299.65	—	16.99	6.59	6.87	299.77	302.31	308.04	309.86	287.77
43	Pharmaceutical Products (7)	231.31	+0.1	11.[illegible]	4.93	10.48	231.16	230.82	233.67	235.58	[illegible]
44	Office Equipment (6)	128.06	−0.1	16.00	6.41	7.88	128.20	128.01	128.71	129.64	134.38
45	Shipping (10)	484.16	−0.6	9.75	6.42	13.89	487.00	489.52	498.47	493.03	432.72
46	Miscellaneous (58)	254.64	−0.4	15.07	5.82	8.64	255.75	257.48	258.39	258.19	205.17
49	INDUSTRIAL GROUP (494)	248.45	−0.2	15.38	5.53	8.35	248.91	249.94	253.29	254.12	212.02
51	Oils (6)	667.03	−0.5	11.82	3.29	8.99	670.26	681.33	[illegible]	695.51	488.69
59	500 SHARE INDEX	282.40	−0.2	14.76	5.14	8.45	283.07	284.86	289.14	289.82	235.02
61	FINANCIAL GROUP (115)	198.36	+1.0	—	5.32	—	196.44	197.87	199.89	201.98	165.61
62	Banks (6)	247.25	+4.3	26.94	4.91	4.80	237.14	237.59	240.59	244.43	191.36
63	Discount Houses (10)	248.53	+0.9	—	7.71	—	246.26	248.46	249.09	249.41	213.92
64	Hire Purchase (5)	182.74	−0.7	18.18	4.94	7.08	184.01	188.10	190.20	190.86	144.45
65	Insurance (Life) (10)	161.45	+0.6	—	6.58	—	160.51	161.79	164.18	165.08	137.02
66	Insurance (Composite) (8)	129.05	−0.2	—	7.31	—	129.35	131.63	133.46	136.49	127.69
67	Insurance Brokers (10)	287.19	+0.6	17.52	6.67	8.19	285.53	287.52	292.51	293.82	332.46
68	Merchant Banks (14)	102.36	+0.4	—	5.21	—	102.00	102.78	102.85	101.78	81.66
69	Property (42)	347.97	−1.0	3.07	2.62	49.91	351.57	352.51	354.04	355.23	233.35
70	Miscellaneous (10)	124.54	−0.5	15.10	7.48	8.52	125.23	126.36	126.53	126.58	110.78
71	Investment Trusts (111)	222.10	+0.1	—	5.19	—	221.87	223.81	224.34	225.78	212.68
81	Mining Finance (4)	137.36	−0.6	14.53	5.73	8.36	138.24	138.89	139.25	139.31	102.13
91	Overseas Traders (20)	370.07	−0.7	15.12	6.84	8.40	372.86	374.40	375.05	367.41	314.36
99	ALL-SHARE INDEX (750)	259.19	—	—	5.22	—	259.27	260.97	264.34	265.11	217.01

FIXED INTEREST PRICE INDICES

	British Government	Tues., June 12	Day's change %	xd adj. today	xd adj. 1979 to date
1	Under 5 years	106.02	−0.04	—	4.36
2	5-15 years	118.04	—	—	5.04
3	Over 15 years	124.65	—	—	5.52
4	Irredeemables	131.98	—	—	6.39
5	All stocks	115.46	−0.02	—	4.95

FIXED INTEREST YIELDS
Br. Govt. Av. Gross Red.

			Tues., June 12	Mon., June 11	Year ago (approx.)
1	Low Coupons	5 years	9.88	9.86	8.69
2		15 years	10.80	[illegible]	10.79
3		25 years	11.28	11.27	11.45
4	Medium Coupons	5 years	11.64	11.61	11.40
5		15 years	12.05	12.04	11.97
6		25 years	12.13	12.12	12.17
7	High Coupons	5 years	11.88	11.85	11.36
8		15 years	12.39	12.39	12.58
9		25 years	12.40	12.39	12.89
10	Irredeemables		11.11	11.11	11.58

		Tues., June 12 Index No.	Tues., June 12 Yield %	Mon. June 11	Fri. June 8	Thurs. June 7	Wed. June 6	Tues. June 5	Mon. June 4	Fri. June 1	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	59.54	†12.47	59.57	59.71	59.66	60.19	60.26	60.22	60.50	57.39
16	Investment Trust Prefs. (15)	51.78	13.54	51.78	51.78	51.62	52.57	52.61	51.61	52.21	52.54
17	Coml. and Indl. Prefs. (20)	73.66	12.88	73.04	73.43	73.40	73.80	73.90	75.96	74.03	71.72

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

AUTHORISED UNIT TRUSTS

Minster Fund Managers Ltd.
Minster Hse., Arthur St., EC4. 01-623 1050

Minster May 21	42.2	44.2	—	5.71
Exempt May 31	108.7	112.7	—	5.95

MLA Unit Trust Mngmnt. Ltd.
Old Queen Street, SW1A 9JG. 01-222 8177

MLA Units	55.9	58.8	—	3.61

Murray Johnstone U.T. Mgmt.♥ (a)
163, Hope Street, Glasgow, G2 2UH. 041-221 5521

MJ European	71.1	75.7	—	4.56

Dealing Day Friday.

Mutual Unit Trust Managers♥ (a)(g)
15 Copthall Ave., EC2R 7BU. 01-606 4803

Mutual Sec. Plus	56.6	60.1	+0.2	6.12
Mutual Inc. Tst	77.6	82.6	.....	7.01
Mutual Blue Chip	48.8	52.8	+0.1	6.16
Mutual High Yld.	60.8	65.7	-0.3	8.21

National and Commercial
31, St. Andrew Square, Edinburgh. 031-556 8555.

Income June 6	171.4	177.8	—	5.62
(Accum. Units)	238.8	247.6	—	5.62
Capt. May June 6	143.0	148.2	—	3.18
(Accum. Units)	176.0	182.6	—	3.18

National Provident Inv. Mngrs. Ltd.♥
48, Gracechurch St., EC3P 3HH. 01-623 4200

N.P.I. Gth.Un.Tst	56.1	58.7xd	—	4.75
(Accum. Units)*	69.8	74.3	—	4.75
NPI O'seas. Trust	128.4	135.9	—	2.40
(Accum. Units)**	139.1	147.2	—	2.40

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$338.27	.....	2.30
Jardine J'pn.Fd.*	HK$372.50	.....	0.09
Jardine S.E.A.	US$17.42	.....	2.00
Jardine Flem. Int.	US$12.77	.....	0.80
Intl.Pac.Secs.(Inc.)	US$13.44	.....	1.30
Do. (Accum.)	US$13.63	.....	—

NAV May 14. *Equiv. US$73.11.
Next sub. day June 15.

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.

L.J. Sterling Fund	£10.07	10.08	.....	—

1, Charing Cross, St. Helier, Jsy.CI 0534 73741

CMF Ltd. May 31	US$13.33	13.67	.....	2.90
CMT Ltd. May 31	£13.46	13.81	.....	2.80
Metals Tst. May 17	£16.00	16.40	.....	5.46
TMT May 10	US$10.67	10.94	.....	2.84
T.M.T. Ltd. May 10	£10.71	10.99	.....	1.06

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	US$18.06	-0.03	—

Wren Commodity Trust
10, St. George's St., Douglas IoM 0624 25015

Wren Commod. Tst.	38.0	38.4	.....	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

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Over Fifteen Years

Undated

INTERNATIONAL BANK

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COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

1979 High	Low	Stock	Price £	+ or −	Int.	Red. Yield
103¼	98¼	FFI 13pc 1981	101	......	12.87	12.27
107	100	Do. 14pc '79	100½	......	14.19	—
108¼	98¼	Do. 14pc '83	104½	......	13.40	12.65
86½	77½	ICFC 5½pc Deb. '80-82	85½	......	6.54	11.20
85	71½	Do. 6¼pc Db. '81-84	79xd	......	7.91	11.60
99	84½	Do. 10½pc Uns. Ln. '86	91½xd	......	11.47	12.40
99	84½	Do. 11pc Uns. Ln. '88	92xd	......	11.95	12.40
101½	84	Do. 11¼pc Uns Ln. '90	95½xd	......	12.30	12.60
77½	57	Do. 7¼pc A Deb. '89-92	66½xd	......	10.90	12.40
69	53½	Do. 7¼pc A Db. '91-94	65½	......	11.38	12.70
80½	64½	Do. 9pc 'A' '91-94	79	......	11.74	12.50
78½	62½	Do. 8¾pc Ln. '92-97	76	......	12.19	12.60

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 22⅜% (based on US$2.0737 per £)
Conversion factor 0.8154 (0.8274)

CANADIANS

S.E. List Premium 22⅜% (based on $2.4377 per £)

BANKS AND HIRE PURCHASE

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
16	13	Dawes (G. R.)	13	−1	—	—	—	—
£121	£79	Deutsche Bank DM50	£79½	......	Q18%	—	2.9	—
90	65	F. C. Finance	73	......	2.2	4.9	4.5	6.8
8½	5¼	First Nat. 10p	7¼	......	—	—	—	0.6
4	2	Do. Wrrts. 75-83	3½	......	—	—	—	—
16¼	13½	Fraser Ans. 10p	15¼	......	—	—	—	—
252	178	Gerrard Natnl.	232	+2	9.12	—	5.9	—
62	45	Gibbs (A.)	48	......	2.2	—	6.8	—
270	217	Gillett Bros. £1	257	......	16.95	—	9.8	—
29	19	Goode D't Mry. 5p	25½	......	0.25	—	1.5	—
153	116	Grindlays	132	......	3.07	7.5	3.5	4.1
120	98	Guinness Peat	104	+1	H5.67	—	8.1	—
330	173	Hambros	313	+2	†9.76	—	4.6	—

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Hire Purchase, etc.

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FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

MINES—Continued

AUSTRALIAN

TINS

COPPER

111	56	Messina R0.50	94	......	—	—	—

MISCELLANEOUS

81	54	Barymin	73	−5	—	—	—
13½	10	Burma Mines 17½p	13	......	—	—	—
345	170	Cons. Murch. 10c	310	......	Z030c	—	6.0
470	330	Northgate C$1	340	−20	—	—	—
362	226	R.T.Z.	312	......	11.5	2.7	5.5
31	18	Robert Mines	23	−2	—	—	—
65	39	Sabina Inds. C$1	39	−1	—	—	—
880	662	Tara Expln. $1	662	−13	—	—	—

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

$17½	$10½	Buffels R1	$17⅞	−⅜	Q200c	ϕ	12.8
$15½	890c	East Drie R1	$14⅞	−⅛	Q115c	1.6	8.9
950c	350c	East Rand Prp. R1	890c	−60	Q10c	—	1.3
$27	$18¼	F.S. Geduld 50c	$25⅝	−⅜	†Q315c	2.4	14.1
$18	$11⅛	Pres. Brand 50c	$17¼	−⅛	†Q150c	3.2	9.7
$17¼	$10¼	St. Helena R1	$16⅝	−⅛	Q190c	1.4	13.1
760c	407c	Stilfontein 50c	715c	−15	†Q66c	ϕ	11.1
$32¼	$18¼	Vaal Reefs 50c	$32⅛	−⅛	Q280c	2.7	10.0
$50¼	$28¾	West Drie R1	$47	−⅛	†Q385c	1.7	9.4
$34½	$22¼	West Hldgs. 50c	$34¼	−¼	†Q415c	1.4	14.0
$16¼	$10⅛	Western Deep R2	$16⅛	−¼	Q147½c	2.1	10.5

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 44

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	28	......	Sheff. Refrshmt	87	......
Ash Spinning	105	......	Sindall (Wm.)	140	......
Bertam	25	......	**IRISH**		
Bdg'wtr. Est. 50p	415	......	Conv. 9% '80/82	£91	......
Clover Croft	28	......	Alliance Gas	65	+5
Craig & Rose £1	£12½	......	Arnott	400	......
Dyson (R. A.) A	40	+2	Carroll (P.J.)	120	......
Ellis & McHdy	68	......	Clondalkin	85	......
Fife Forge	54	......	Concrete Prods.	100	......
Finlay Pkg. 5p	19	......	Heiton (Hldgs.)	82	......
Graig Ship. £1	285	......	Ins. Corp.	217	......
Higsons Brew	80	......	Irish Ropes	90	......
Holt (Jos) 25p	260	......	Jacob	45	+1
I.O.M. Stm. £1	165	+3	T.M.G.	205	......
Pearce (C. H.)	235	......	Unidare	86	......
Peel Mills	30	......			

OPTIONS
3-month Call Rates

Industrials		I.C.I.	24	Unilever	55
A. Brew	9	"Imps"	8	U.D.T.	5
BOC Intl.	6	I.C.L.	55	Utd. Drapery	10
B.S.R.	7	Inveresk	7	Vickers	18
Babcock	18	KCA	5	Woolworths	7½
Barclays Bank	32	Ladbroke	22		
Beecham	52	Legal & Gen.	14	**Property**	
Blue Circle	18	Lex Service	11	Brit. Land	7½
Boots	18	Lloyds Bank	25	Cap. Counties	9
Bowaters	18	"Lofs"	5	Land Secs.	25
B.A.T.	28	London Brick	7	MEPC	17
Brown (J.)	50	Lonrho	8	Peachey	13
Burton 'A'	26	Lucas Inds.	25	Samuel Props.	14
Cadburys	7	"Mams"	18	Town & City	2¼
Courtaulds	10	Mrks. & Spncr	11		
Debenhams	8	Midland Bank	30	**Oils**	
Distillers	21	N.E.I.	14	Brit. Petroleum	100
Dunlop	6½	Nat. West. Bank	28	Burmah Oil	13
Eagle Star	14	Do. Warrants	15	Charterhall	5
E.M.I.	12	P & O Dfd.	10	Premier	5
Gen. Accident	21	Plessey	10	Shell	25
Gen. Electric	35	R.H.M.	5	Ultramar	25
Glaxo	50	Rank Org.	25		
Grand Met.	14	Reed Intnl.	18	**Mines**	
G.U.S. 'A'	30	Spillers	4½	Charter Cons.	16
Guardian	24	Tesco	7	Cons. Gold	20
G.K.N.	28	Thorn	35	Rio T. Zinc	27
Hawker Sidd	26	Trust Houses	17		
House of Fraser	18	Tube Invest.	30		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Wednesday June 13 1979

Sterling strong; Gold falls $3¾

● STERLING rose to its best level for over three years against many major currencies, and its trade-weighted index rose to 68.0 from 67.4, its highest since March 1976. The sharp rise in MLR triggered heavy demand for sterling and it closed 3.27 cents up at $2.0915, its highest close against the dollar since April 10.

● GOLD fell $3¾ to $278¾ in London, and the price for domestic delivery of krugerrands fell from £145¼ to £139 on the announcement that UK import controls would be abolished.

● EQUITIES drifted lower and the FT ordinary share index closed 2.5 down at 501.4. GILTS traded slowly before the Chancellor's announcements as institutional investors held off, and the Government Securities index was unchanged at 72.85.

● WALL STREET was up 10.57 at 848.15 in heavy trading just before the close.

NEWS SUMMARY

Birmingham suffers new post blast

A letter bomb exploded at Birmingham's central postal sorting office hours after it reopened following three similar blasts on Friday. Six people were taken to hospital suffering from shock.

Police will spend two days searching the building again. The first search yielded two unexploded letter bombs and delayed more than 1m letters and 150,000 parcels.

Thorpe trial

Peter Taylor, QC, ended his closing speech for the Crown at the Jeremy Thorpe trial at the Old Bailey. The former Liberal leader and three other men have denied conspiring to murder ex-male model Norman Scott.

Managua attack

Bomber aircraft and artillery attacked guerrilla strongholds in Managua as Nicaraguan troops fought to regain control of the capital. Page 5

Pedal power

Californian cyclist Bryan Allen pedalled a 55lb plastic aircraft from Folkestone to Cape Gris Nez to win a £100,000 prize for the first manpowered cross-Channel flight. Page 8

Doctor sought

Scotland Yard were seeking a London doctor whose missing bride could be the woman whose dismembered body was found in a Brussels dustbin, 150 yards from their honeymoon hotel.

Refugees arrive

The first of the Vietnamese boat people rescued by the British freighter Sibonga arrived at their temporary home at a converted RAF camp at Sopley, near Bournemouth.

Wayne tributes

Hollywood paid tribute to actor John Wayne, Western film tough-guy and star of more than 200 films, who died aged 72 after battling with cancer for 15 years. Page 17

Gangland deaths

A pedestrian was killed and another badly injured in Paris when they were hit by a car after the driver was shot in an apparent gangland murder.

BUSINESS

Home loans buoyant

● BUILDING SOCIETY loans last month reached their highest since November last year, with £755m advanced against £684m in April, but Building Societies Association chief warns that long queues still remain. Page 8

● OECD foreign and finance ministers begin their two-day annual meeting in Paris today to review the world's economy.

● CHRYSLER UK has offered its 23,100 workers a 13 per cent pay package in reply to union claims for between 22 and 25 per cent. Page 9

COMPANIES

● ALLIED BREWERIES reports pre-tax profits of £123.5m for the 17 months to March 3 on sales of £2.2bn. Page 26

● ASSOCIATED NEWSPAPERS pre-tax profits for the year to March 31 rose from £15.46m to £21.33m, after further improvement in the second half. Page 28

Engineers stand firm on claim

BY ALAN PIKE, LABOUR CORRESPONDENT

THE engineering industry faces almost certain industrial action following refusal by the Amalgamated Union of Engineering Workers national committee yesterday to compromise on a wide-ranging pay and conditions claim.

The possibility of a negotiated settlement is now remote and a national overtime ban and a series of one-day strikes are likely.

In negotiations last week, the Engineering Employers' Federation offered a new minimum craft rate of £68 per week in response to a union claim for £80. Union leaders indicated that they *might* be prepared to accept £70 if agreement could be reached on when the new rates would be implemented.

Yesterday the AUEW executive supported a motion which would have enabled them to return to the employers and make another effort to reach agreement on these points.

However, by a 27-25 vote the committee carried an amendment which instructs the negotiators to go back and renew demands for the full £80 claim.

The decision also binds negotiators to securing a reduction in the working week of one hour this year with further reductions towards 35 hours by 1982—something which the EEF, like other employers, has firmly resisted—two days extra holiday this year and a common backdated implementation date of April for the new agreement.

In the probable event of this package meeting an unsatisfactory reply from the employers, the executive is instructed, in association with other members of the Confederation of Shipbuilding and Engineering Unions, to "start a national overtime ban and one-day strikes. If this does not move the employers national committee will be recalled" to give consideration to stepping up the campaign."

Yesterday's national committee meeting then went on to give notice that it will next year want to raise the basic craft rate from the £80 it is now seeking to £100.

Mr. Terry Duffy, president, admitted that the moderate AUEW executive had been "overturned" by yesterday's decisions from the policy-making committee. "But as I have always said our claim is justifiable in full."

Unless there is an unexpected breakthrough with the employers a detailed decision on implementing industrial action will be made by the Confederation executive later this month. Most engineering workers, through local negotiations, earn more than national minimum rates and it is uncertain how much enthusiasm there will be for industrial action on the issue. This is one reason why militant committee members wanted to restore other issues, like the shorter working week, to the campaign.

DC-10 approval bid likely

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

EUROPEAN governments may soon approach the U.S. Federal Aviation Administration to seek approval to return to passenger service their grounded DC-10 jet airliners.

This appeared likely, after two days of discussions in Strasbourg this week.

On Monday, the airlines in Europe using DC-10s, including Alitalia, British Caledonian, Laker, Lufthansa, KLM, Swissair and UTA of France, discussed their inspections of the DC-10, and agreed that they believed the aircraft was safe.

Yesterday, the airworthiness authorities represented in the European Civil Aviation Conference, including the UK's Civil Aviation Authority, considered the airlines' views, and their own inspectors' reports on the DC-10.

None of the European airworthiness administrations is anxious to take unilateral action, but there appeared to be a consensus that some kind of joint approach to the U.S. Federal Aviation Administration should be made provided nothing emerges in the next few days to indicate that the DC-10s should remain grounded.

This could be done through the European Civil Aviation Conference once the delegates to the meeting yesterday have been given the approval of their respective governments for such a move.

The Europeans are clearly not anxious to move without the tacit approval of the FAA.

They are not legally bound to follow the FAA's recommendations or mandatory instructions to U.S. airlines, but in practice will do so, until informed in detail of the FAA's precise technical reasons for grounding the DC-10s.

This information is now being sought. Once the FAA has answered these questions, and it can be seen that there is no longer a valid reason for keeping the latest DC-0s grounded, the pressures for a resumption of flying will become greater.

At the airlines' meeting in Strasbourg on Monday, it was made clear that the airlines using DC-10s in Europe have examined their aircraft in accordance with the FAA's requirements and are satisfied that they are safe to fly.

They said their trust in the aircraft remained intact, and they requested their governments to put pressure on the U.S. to allow the DC-10s back into the air "as soon as possible."

U.S. can keep Azores base

By Jimmy Burns in Lisbon

PORTUGAL HAS agreed to the continued use by the U.S. of the strategically important Lajes air base on the Azores.

The Portuguese Foreign Ministry said yesterday that formal notes would be exchanged in Lisbon next Monday between Sr. Freitas Cruz, Portuguese Foreign Minister, and Mr. Cyrus Vance, U.S. Secretary of State.

The Lajes air base theoretically belongs to Portugal but its continued use by the U.S. will be guaranteed within the framework of NATO membership and the terms of the 1974 agreement between the two countries. This expired two months before Portugal's revolution overthrew nearly half a century of Right-wing dictatorship.

The Azores is in mid-Atlantic, 950 miles west of Lisbon. Its strategic importance both for the U.S. and NATO is undisputed.

The base—manned by 1,500 U.S. personnel—monitors Soviet submarine movements in the Atlantic and provides logistic support for the U.S. Sixth Fleet. It is also a vital refuelling stop for U.S. aircraft flying to and from NATO bases in Europe.

During the Middle East war in October 1973, the base was used in an airlift of U.S. military supplies to Israel. At the time a number of NATO member countries were refusing to lend their facilities for fear of Arab retaliation.

The notes confirming the agreement are expected to be accompanied next Monday by a provision for U.S. military and economic assistance to Portugal, reliably valued at $140m (£70m).

This is expected to be split as follows:

● $60m of military assistance, mainly hardware, intended for Portugal's NATO brigade and air force. This will bring total U.S. military aid to Portugal since 1976 to approximately $150m. The Portuguese Air Force has for some time been interested in purchasing Northrop F-5s to boost its air capability.

● $80m in direct economic assistance to Portugal over the next four years. This will be used by the Portuguese Government for development projects on the Azores although the precise nature of these would have to be agreed with the Azorean regional authorities at some later date.

The formal agreement extending the U.S. use of Lajes has been delayed by the political instability and ever-changing governments in Portugal. More recently difficulties arose over the precise sum that should be set aside in the aid package, with both the Azorean regional authorities and the Portuguese armed forces both pressing for a more generous share.

Keep sanctions, Vance urges

BY DAVID BUCHAN IN WASHINGTON

MR. CYRUS VANCE, the U.S. Secretary of State, told Congress yesterday it was possible that President Carter would veto any immediate Congressional move to lift sanctions on Zimbabwe Rhodesia now, arguing this would put the U.S. dangerously out of step with Britain.

Mr. Vance made an eleventh-hour effort before Senate and House Foreign Relations Committees yesterday to head off attempts to override the President's decision last week to let sanctions remain for the time being. The Senate, where anti-sanctions sentiment runs high, was preparing to vote on an amendment calling for an immediate end to the trade boycott.

Stressing the damage that ending sanctions now would do to U.S. political and economic interests in black Africa, Mr. Vance made it clear that the Carter Administration wanted to do nothing out of tandem with the British Government. Lifting sanctions now would "undermine the internationally recognised legal authority" of Britain in its breakaway colony.

He broadly hinted that Britain could be left to take the lead on this controversial issue. When answering a Senator's question, he said that if Congress were to give the Administration a six-month period of grace until December, Mrs. Thatcher's Government would almost certainly have to show its hand when the *British sanctions orders on Zimbabwe Rhodesia* came up for renewal in the House of Commons in November.

The U.S., he said, should not act before Britain and complicate its position, particularly not before the Commonwealth conference in Zambia had dealt with the issue in August.

But Senator Frank Church, chairman of the Senate foreign relations committee, told the State Department chief, flatly that in his opinion, the President did not have enough votes in the Senate to maintain sanctions, unless the Administration was prepared to make some compromise, perhaps by leaving the final say to Congress.

Mr. Church based his estimate on the Senate vote of 75 to 19 on May 15 that Rhodesia had "substantially complied with" congressional criteria—calling for free and fair elections and willingness to negotiate with the Patriotic Front guerrillas—for removing sanctions.

By that measure, there would be a two-thirds Senate majority to override a Presidential veto. But this is much less likely in the House of Representatives, where pro- and anti-sanctions lobbies are more evenly divided.

While repeating all the reasons behind President Carter's decision last week, Mr. Vance stressed that the Administration would be flexible. It would continue to consult closely with the UK, it would report to Congress each month on any progress, and it would maintain contact with the new Salisbury Government of Prime Minister Muzorewa through a U.S. official operating from the U.S. embassy in South Africa.

Fiat plans £100m Polish deal

BY PAUL BETTS IN ROME

FIAT, ITALY'S largest private enterprise with consolidated sales L13,000bn (£7.36bn) last year and employing nearly 350,000 people, is thought to be about to sign a co-operation deal with Poland worth at least £100m, involving a new small car for the Polish market.

The deal, which follows Monday's agreement between Fiat and the Spanish SEAT group, forms part of the Turin concern's attempts to increase its annual car output from 1.4m to about 2m cars through a policy of broad international integration and rationalisation.

The Polish venture, which together with the SEAT deal is seen as Fiat's answer to moves by other leading international car manufacturers, is thought to involve the sale of completely knocked down packages of specifically, designed small 600 and 900 cc cars based on Fiat's so-called "zero" model for the Polish and eventually other markets.

In turn, Poland is to supply Fiat on a one-for-one compensation basis with the small Fiat 126 whose production the Turin group proposes to phase out in Italy to concentrate on the new "zero" model. Poland currently assembles 200,000 Fiat 126s annually.

The Fiat venture with Poland, where the Turin group has a long-standing presence, is also understood to involve the construction of a new pick-up truck for the Polish market.

Because of the barter nature of the deal, it is hard to put a firm figure on it. But last month, the Italian authorities agreed to convert a $170m suppliers credit to Poland into a buyers credit line largely to back up the Fiat deal.

The venture is expected to increase Fiat's annual car production by about 100,000 cars, which would be added to the 400,000 cars a year the Turin group hopes will eventually be produced by SEAT in Spain. This would raise Fiat's annual car output close to the 2m level which Sig. Giovanni Agnelli, the Fiat chairman, regards as "essential" to meet the growing challenge from U.S. and Japanese manufacturers.

Fiat lifts market shares in Europe Page 35

Continued from Page 1

Gamble

Budget after the 1970 general election. "This is rather like a re-run of an old film, and we all know how that film ended," Mr. Callaghan said.

In Mr. Healey's view, Sir Geoffrey's tactic was like redoubling on a busted flush.

In a statement from the Left-wing Tribune Group, the Chancellor's statement was dubbed "a bootstrap budget."

The Scottish National Party described the Budget as "a recipe for unemployment in Scotland." It was regarded as a Budget more suited to the wealthy living in the south-east of England than to the economics of Scotland.

The combination of public expenditure cuts and the increased Bank Rate could only lead to moire unemployment in the autumn.

Continued from Page 1

Union leaders give pay warning

earned less than the £100 a week average quoted by the Chancellor: "The wife of the family at the end of the week will tell her husband whether he is better or worse off. That is what influences pay claims, not any theoretical calculation."

The point was echoed by Mr. Len Murray, general secretary of the TUC, who said the Chancellor might "live to regret his Budget, as he lived to regret the Industrial Relations Act he wrote." People tend to forget tax reductions and look at what is happening to prices in the shops.

"The Chancellor has chosen a high price, low income tax economy. I am very very dubious about the incentive effect of a cut in the standard rate."

The Budget was a prescription for higher prices and fewer jobs, and an attempt to bite into wages by threatening workers' employment.

One of the fiercest reactions came from Mr. Geoffrey Drain, the moderate general secretary of the National and Local Government Officers Association. He called for "the strongest possible constitutional resistance to the Chancellor's diabolical proposals."

The unions should campaign as they did at the time of the Industrial Relations Act against this "prescription of wholesale unemployment and massive inflation." The sale of public assets would lead to a bonanza for private greed and public stagnation, he claimed.

Wage claims of 25 per cent would be needed to hold living standards, said Mr. Ken Gill, the Communist general secretary of the white-collar section TASS of the engineering workers. "The Tories have looked after their own.

"In the Chancellor's own words, the Budget is designed to put a check on the growth of output and employment. In plain English that means more unemployment," he said.

Up to another 250,000 workers could be unemployed by the end of the year, said Mr. Tom Jackson, general secretary of the Union of Post Office Workers. "Reduced taxation has never prevented unions from seeking increases in pay. We will try to get our increases in line with the equivalent rise in the RPI. That will be the out-turn of this year's bargaining.

THE LEX COLUMN

Old themes from a new Chancellor

In the City last night there was no question that the big talking point arising from Sir Geoffrey Howe's first Budget speech was the almost totally unexpected rise of two points in Minimum Lending Rate to 14 per cent. It shows how urgent is the need to get a grip on the current surge in private sector credit demand, and how necessary it is to establish a new base level from which the Government's funding programme can resume.

The initial expectations were that gilt-edged will open sharply lower this morning, especially at the short end where the jobbers were talking about losses of up to four points. The Government Broker will want to re-establish his long tap Treasury 11¾ per cent 2001-04 at a level where he can make large sales. And the authorities can be expected to produce an early tap at the short end.

BOOST FOR POUND

But the most significant immediate reaction was in the foreign exchange market where sterling jumped over 2 cents against the dollar and achieved a new peak closing level of 68.0 in terms of the trade-weighted index, the highest since March 1976. The combination of oil wealth and the highest short term interest rates in a major financial centre (in the U.S. Morgan Guaranty actually cut its prime rate yesterday) is likely to prove a powerful lure for foreign speculators. The limited relaxations of exchange controls announced in the Budget are not likely to produce a major offsetting force on sterling. So the gilt-edged market could be entering one of its brief periods of hectic activity.

Beyond that, the picture is very much more cloudy. This was very much a Conservative Budget, in terms of its shift from direct to indirect taxation on a scale even more radical than expected. But it is less than radical in its change of Budgetary stance, and Sir Geoffrey's speech featured a number of tricks which became so familiar during Mr. Denis Healey's regime.

So Sir Geoffrey has applied cosmetic treatment to the public sector borrowing requirement by writing in £1bn of asset sales (the bulk of which will be BP shares). He has fudged his monetary targets by applying 7-11 per cent growth target to a 10-month period rather than a full year. If banking May and June together show more than 3¼ per cent growth in sterling M3—which seems quite possible—his target could be less restrictive than the previous range of 8-12 per cent for the full 12 months.

Moreover the Chancellor has called up the Grand Old Duke of York for yet another route march. And he has been almost as reluctant as Mr. Healey ever was to make firm quantitative course of the PSBR and monetary growth.

Now for the Budget arithmetic. Adding back the allowance for asset sales the PSBR effectively remains the same as it was last year in money terms, at £9.25bn. The other components of the monetary equation are also likely to emerge at closely similar levels. That means sales of public sector debt (or assets) of around £9bn. Inflation has, however, made these sums a little easier to cope with in real terms, especially with institutional cash flow so buoyant. And the element of equity disposals will make the mix marginally more attractive to managers of the big funds.

With long gilts yielding under 12¼ per cent ahead of the Budget, we now appear to be moving into a period in which the yield curve will be downward-sloping.

INFLATION THREAT

The market has already adapted to the inevitability of a temporary surge in inflation brought about largely by oil prices and once-and-for-all tax changes. The Budget will directly add 4 per cent to retail prices in the third quarter this year. The worry is that the Treasury sees little prospect of any slowdown in wage inflation, and one of the most chilling forecasts in the Red Book is that year-on-year inflation could still be running at 13½ per cent in the third quarter of 1980.

This concern is bound to overshadow the company sector and share prices too. The immediate reaction last night was uncharacteristically calm—the FT 30-Share Index slipped back by only a point or two. There was, of course, little specifically bad news in the Budget—even the rise in Petroleum Revenue Tax had been well signposted. But what good news there was had been largely discounted—it would have been a major shock, for instance, if dividend controls had been extended or corporation tax increased. Big dividend winners like Unilever and Shell Transport showed little change.

The clearing banks, however, gained an unexpected boost from the MLR hike.

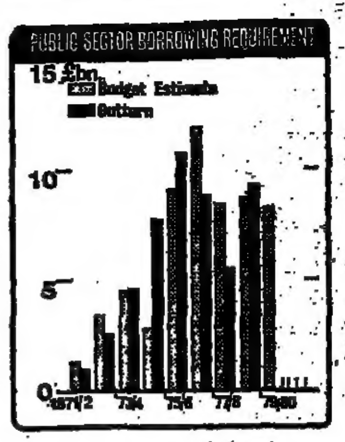
COMPANY SECTOR

But overall the Budget does little to relieve the main pressures on the corporate sector. The rise in interest costs comes at a time when manufacturing companies are running a sizeable and increasing financial deficit. By pushing up sterling even further it makes exporters still less competitive and will cause companies to fear more than ever the coming wage round. At least the major broking houses are not inclined to make any serious cuts in their profit forecasts, and the near doubling of VAT does have the silver lining that it will boost liquidity by as much as £700m.

With credit being squeezed, companies will still be tempted to tap the rights issue market as much as possible. And they could soon have a big rival muscling into the queue, for the Government has no reason to hang around before unloading some BP shares.

This Budget could be setting the stage for a sustained improvement in the underlying structure of the economy over the longer term. If the strategy works the tax changes could have a much bigger impact on the arithmetic in 1980-81. But the financial markets have to climb over a hump before they can freewheel down the other side. The gilt-edged market will be obsessed with the development of the next wage round; and the equity market, yielding just over 5 per cent, faces formidable competition from money market rates 9 points higher.

Index fell 2.5 to 501.4



Weather

UK TODAY

MOSTLY cloudy. Outbreaks of rain. Brighter later.

London, S.E. England, E. England, Cent. N. England

Cloudy at first. Rain later. Becoming brighter. Max. 15C (59F).

Cent. S. England, N. Wales, W. Midlands

Outbreaks of rain. Sunny periods. Max. 15C (59F).

S.W. England, S. Wales

Rain at first. Becoming dry with sunny periods. Max. 18C (64F).

Scotland, Ulster and N.E. England

Dry, sunny intervals. Max. 17C (63F).

Outlook: Little change.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	26	79	Lisbon	F	22	72
Algiers	F	27	81	Locarno	F	25	77
Amsdm.	F	16	61	London	C	15	59
Athens	S	32	90	Luxmbg.	C	21	70
Bahrain	S	36	97	Luxor	S	44	111
Beirut	S	27	81	Madrid	F	27	81
Belfast	R	17	63	Malaga	F	25	77
Belgrd.	F	31	88	Malta	S	31	88
Berlin	F	26	79	Mchstr.	F	21	70
Biarritz	S	21	70	Melbne.	C	14	55
Bmghm.	F	17	63	Mex. C.	C	16	61
Blackp'l	F	19	66	Milan	F	28	82
Bordx.	F	23	73	M'ntreal	C	11	52
Boulgn.	C	16	61	Moscow	C	16	61
Bristol	C	15	59	Munich	F	24	75
Brussels	F	17	63	Nairobi	S	22	73
Budpst.	C	27	73	Naples	F	26	79
B. Aires	S	14	56	Nwcstl.	F	18	64
Cairo	S	35	97	N. York	S	16	61
Cardiff	C	13	55	Nice	F	24	75
Cas'b'ca	F	21	70	Nicosia	S	29	84
Cape T.	S	13	54	Oporto	C	19	66
Chicago	S	19	66	Oslo	S	16	61
Cologne	F	19	66	Paris	F	21	70
Cpnhgn.	C	11	52	Perth	C	17	63
Corfu	S	29	84	Prague	F	26	79
Dublin	R	14	55	Reykjvk.	C	9	48
Dbrvnk.	S	27	81	Rhodes	S	29	84
Ednbgh.	C	17	63	Rio J'o	S	26	80
Faro	F	20	68	Rome	F	27	81
Florence	S	29	84	Salzb'rg	F	26	79
Frankf't	F	25	77	Singapr	C	31	87
Funchal	F	21	70	Stckhm.	F	24	75
Geneva	F	23	73	Strasb'g	F	25	77
Gibrltr.	F	25	77	Sydney	F	17	63
Glasgow	F	20	68	Tangier	F	22	72
G'rnsey	C	14	57	Tel Aviv.	S	27	81
Helsinki	F	21	70	Tenerife	C	26	79
H. Kong	C	25	77	Tokyo	R	20	68
Innshr'k	F	25	77	Toronto	S	14	57
Invrnss.	C	16	61	Tunis	S	32	90
I o Man	C	16	61	Valencia	F	26	79
Istanbul	S	27	81	Venice	S	28	81
Jersey	F	15	59	Vienna	S	25	77
Jo'burg	S	9	41	Warsaw	F	26	79
L. Pims.	S	23	73	Zurich	F	24	75

C—Cloudy. F—Fair. R—Rain. S—Sunny.

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